FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Three more bombs found

Three more bombs were fund yesterday as the IRA's mainland campaign continued. One was defused in London's West End and the others were found in Bristol and Southampton.

The discoveries came 24 hours after bomb blasts in five provincial cities, followed by two explosions in London early yesterday.

All the London bombs—at High Holborn, Great Russell Street and Windmill Street—were left in cars which had been hired by means of a forged driving licence. Only one person was hurt.

The bombs in Bristol and Southampton, two of the cities hit on Sunday, were on a road tanker and near some petrol pumps. Both were defused. News Analysis, Page 6

Iran mutiny

About 25 Iranian soldiers mutineered during an anti-Shah demonstration in Tabriz, Iran. They laid down their arms and allowed demonstrators to take over vehicles. Back Page

Israel adamant

Israel is refusing to resume peace talks until Egypt withdraws its "ridiculous" demands. The Foreign Ministry said talks could only resume on the understanding that proposals brought from Cairo by Cyrus Vance, U.S. Secretary of State, were unacceptable. Page 4

Sect's bequest

The People's Temple sect, involved in a mass murder-suicide pact last month, left more than $7m (£3.5m) to the Soviet Communist Party, according to a will produced at at inquest in Guyana.

Paper talks

The National Union of Journalists and the Newspaper Society will meet today for informal talks on the provincial newspapers strike, now in its third week. Page 8

Gandhi uproar

There was uproar inside and outside India's Lower House of Parliament as MPs debated whether or not Indira Gandhi should be punished for breach of privilege. MPs hurled abuse in the House, and rioters backing Mrs. Gandhi were dispersed with teargas in the streets. Page 4

U.S. 'a wolf'

Taiwan President Chiang Ching-Kuo said that by opening its link with China the U.S. had "ushered a wolf into its living room." He also rejected an invitation to hold talks with China. Page 3

Report rejected

The Association of District Councils has told the Government it rejects all the main recommendations regarding council lotteries in the Royal Commission on Gambling's report. The councils fear Government meddling in the lotteries, which could raise £17m this year. Page 6

Briefly . . .

Lebanese coastguards seized a ship carrying 2.75m contraband American cigarettes.

Liverpool's new Royal hospital was hit when 200 ancillary workers walked out over remarks by a nursing sister.

Oldest Roman mosaic floor ever found in London has been uncovered in the City. Page 7

Strike by baggage handlers and refuellers grounded two-thirds of domestic flights at Sydney airport.

UK and Argentina began talks in Geneva over the disputed Falkland Islands.

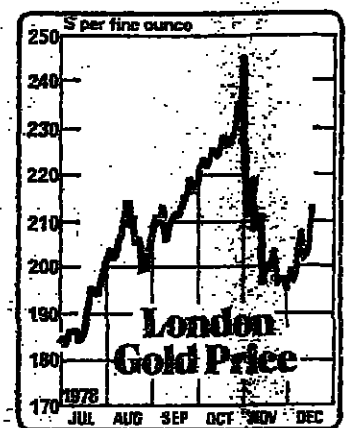
BUSINESS

Equities off 7.0: Gold up $5¾

● EQUITIES resumed their down trend on dollar's weakness following news of the OPEC oil price rise. FT 30-share index fell 7.0 to 474.0, the lowest since November 21. Gold Mines index rose 3.0 to 133.7.

● GILTS: Shorts losses extended to ¼. Longs traded moderately. Losses in high-coupon issues reached ½. Government Securities Index fell 0.24 to 68.56.

● GOLD rose $5¾ to $212¾.



● STERLING rose 2.55 cents to $2.0055. Trade-weighted index widened to 63.4 (63.2). Dollar's depreciation weakened to 9.4 (8.7) per cent.

● WALL STREET was off 20.27 at 785.08 near the close. HONG KONG Hang Seng index dropped 11.68 to 496.34. PARIS: CAC Industrial Index closed at 75.3 (76.1). FRANKFURT: Commerzbank index fell to 812.60 (821.20). TOKYO: SE index slipped 2.09 to [illegible]

● SHORT-TERM interest rates could fall during 1979 with Minimum Lending Rate below 10 per cent by the end of the year, brokers Phillips and Drew say. Page 7

● GOVERNMENT has asked the Bank of England to try to persuade the main banks to set up a special guarantee system to underwrite the loans they make to small companies (Back Page). The Bank has agreed to take responsibility for licensing money brokers, it was confirmed.

● BRITAIN has officially complained to Norway about the steep rise in development costs on the Anglo-Norwegian Statfjord oilfield. Back Page

● CHRYSLER UK seems set for heavy losses in the current year after a series of damaging industrial disputes. Back Page

● UK ATOMIC Energy Authority's £13m order for computers placed with International Computers could fall foul of the new U.S. Non-Proliferation Act. Back Page

● WORKERS at Leyland Vehicles' Lancashire plants rejected the company's proposals on investment and other strategies, which they claim could mean big redundancies, and called for a meeting with the full BL Board. Page 8

COMPANIES

● SOTHEBY'S pre-tax profits rose to £7.02m (£4.87m) on net auction sales of £161.1m (£123.94m) for the year to August 31. Page 28 and Lex

● SONY CORP. net profit fell 28 per cent to Y25.65bn ($131m) from Y34.64bn for the year to October 31. This was because of the yen's rise in value, the company said. Sales expanded 5.7 per cent to Y534bn ($2.7bn)—a new record. Page 32

● TRICENTROL more than doubled pre-tax profits to £7.01m (£3.4m) on turnover of £110m (£70.4m) in the first nine months of this year. The group's share of Thistle Field oil production made a pre-tax profit of £3.6m. Page 28

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:			Lloyds Bank	278	− 8
Bank of Ireland	407	+ 14	MFI Furniture	168	− 6
Cement-Roadstone	102	+ 6	Metal Box	298	− 10
De Vere Hotels	179	+ 5	Mills and Allen	225	− 7
Edwards (Louis G.)	25	+ 4	Monk (A.)	90½	− 6½
Hartley Ind.	33	+ 3	NatWest	278	− 8
Rowton Hotels	157	+ 4	Perry (H.)	111	− 5
Vaal Reefs	£12	+ ⅜	Racal Electronics	336	− 8
FALLS:			Reckitt and Colman	450	− 10
Treasury 9¼pc 1983	£88 7/16	− 1/16	Sotheby	338	− 7
Treasury 12¼pc 03-05	£44¼	− ½	Taylor Woodrow	403	− 12
BATs Defd.	283	− 4	Thorn Elect.	356	− 8
Costain (R.)	232	− 8	Turner and Newall	166	− 4
Courtaulds	118	− 4	United Scientific	257	− 5
ERF	132	− 4	Guthrie	320	− 7
Ferranti	348	− 7	Ashton Mining	62	− 14
GEC	328	− 7	Conzinc Riotinto	260	− 10
Guinness (A.)	158	− 4	Northern Mining	65	− 17
Hawker Siddeley	218	− 8	Westfield Minerals	230	− 30

Dollar falls sharply after decision to raise oil price

BY MICHAEL BLANDEN

The dollar fell sharply in European foreign exchange markets yesterday following the weekend news of next year's 14.5 per cent rise in oil prices.

The decision by the OPEC countries created general concern over the impact of increased prices on the already weak U.S. balance of payments.

This brought the first sustained selling pressure since the U.S. administration announced its support package for the dollar at the beginning of last month.

The pressure was met by widespread official support for the currency, in Europe and later in New York. But the dollar ended in London down by over 1½ per cent on average, with the Bank of England's index of its value dropping from 84.5 to 83.4.

The decline in the dollar was reflected in a sharp rise in the pound, which moved above the $2 level for the first time since the end of October.

Wall Street was also hit and shortly before the close the Dow Jones average had fallen over 20 points.

Decline in the dollar also affected the price of gold. Early in the day, the gold market was uncertain ahead of today's U.S. gold auction.

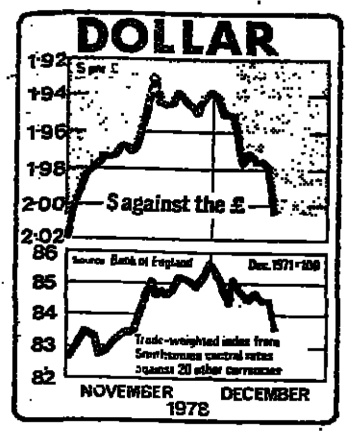
Later, however, the gold price rose sharply to touch $214¼ an ounce, ending in London at $212¾, up by $5¾ from Friday's level.

News of the OPEC decision has hit the U.S. currency at a difficult time. It had already been slipping gently in the markets last week, as the initial improvement brought about by the November measures began to wear off.

The prospect of a rise in oil prices, though it might be expected to affect other large oil-importing countries such as West Germany and Japan, brought an apparently undiscriminating reaction against the dollar.

The main response to the OPEC announcement came overnight in Far Eastern markets. In European dealings, the value of the currency was quickly adjusted to the lower levels established previously, and though there was further steady pressure dealers reported that it did not seem to be gathering momentum.

As a result, the intervention by central banks was sufficient to bring some stability later in the day.



The dollar lost ground against the strong European currencies in spite of support in both West Germany and Switzerland. The Bundesbank was reported to have bought $48m at the Frankfurt market fixing, but the dollar closed at DM 1.8585 compared with DM 1.8930 on Friday.

The pound reached the best level of around $2.008, with the Bank of England also reported to have intervened in support of the dollar. At the end of trading, sterling stood at $2.0055 for a gain of just over 2.5 cents from Friday's $1.98. The sterling index rose from 63.2 to 63.4.

Money markets, Page 33,
Lex, Back Page

No exchange controls on Irish deals

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT has decided not to impose exchange controls on capital transactions with Ireland for the time being.

The statement by the Treasury last night will end the confusion which has reigned since last Friday, when Ireland announced that her pound, unlike sterling, would be linked to other EEC currencies from January 1 in the proposed European Monetary System.

The British decision was principally influenced by Irish assurances about maintaining the present parity with sterling, and by imposition of exchange controls by the Irish Government.

The Treasury said that the authorities would not extend exchange controls to Ireland "in the immediate future, but they will keep the situation under continuous review."

The UK authorities "would be able to impose exchange controls at very short notice if necessary." If this should be necessary full details would be provided at the time.

"Meanwhile it should not be assumed that if controls are extended, Irish securities held by British residents would attract the investment currency premium."

This is a clear warning that if controls are extended there will not be windfall gains for those British residents who have invested in Irish securities, notably gilt-edged stock, on a large scale in recent months.

There would probably be a cut-off date perhaps the time of the Bremen EEC Summit in early July, after which the windfall benefits of the premium could not be secured.

The premium is the extra amount which British residents pay when buying foreign currency to purchase overseas assets and receive on their sale.

The Treasury statement also specifically referred to the Irish Government's "hope and expectation" that the Irish pound would not in practice diverge from sterling, at least for some time.

A key influence on the Treasury decision appears to have been the intention of the Central Bank of Ireland to continue to buy and sell Irish pounds and sterling for the time being on a one-for-one basis. Consequently there would be no change in the present parity. This applies to both forward and spot transactions.

The other factor has been introduction by Ireland of

Continued on Back Page
Farming and raw materials, Page 35

Petrol companies seek 2p increase

BY SUE CAMERON

THE MAJOR oil companies are expected to press the Government for permission to put up the prices of their petrol and heavy fuels by between 2p and 2.5p a gallon following the weekend decision to raise oil prices.

Major oil companies were saying yesterday that the alternative to an across the board increase in oil product prices would be a steeper rise in petrol prices. Most of them are anxious to spread the rises over a range of products, allowing them to recover depressed profit margins on such items as heavy fuels. They also see the OPEC oil increases as an opportunity to recoup increased internal costs.

Worried

If applications to the Price Commission for an all-round increase fail, the main burden of the OPEC price rises will fall on the petrol market. This would mean that the price of a gallon of four-star petrol in the UK would go up by at least 4p over the next 10 months.

The oil companies are worried that the Government may turn down an across the board rise in oil product prices because of its impact on the retail price index. An increase in petrol prices alone would have a less inflationary effect, but it could help to trigger off another pump price war.

Greater

In the past, high petrol prices in the UK have encouraged cheap imports from Russia and Eastern Europe. The major companies are now preparing to put their plans to the Price Commission but no decision from the commission is likely to come through until the beginning of March at the earliest.

Mr. Anthony Wedgwood Benn, the Energy Secretary, said yesterday that the OPEC increases — which were greater than had been expected—were "not good news for jobs, for trade or for the economy as a whole."

Effects on UK industries, Page 14

£ in New York

—	Dec. 15	Previous
Spot	$1.9780-9790	$1.9740-9760
1 month	0.30-0.25 dis	0.41-0.36 dis
3 months	1.04-0.99 dis	1.15-1.09 dis
12 months	3.90-3.75 dis	4.05-3.90 dis

Healey warning on dangers to EMS

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS — The EEC's efforts to stabilise currencies through the planned European Monetary System could not be made to work properly if the U.S. dollar came under serious pressure in the wake of the OPEC oil price decision, Mr. Denis Healey, Chancellor of the Exchequer, said yesterday.

Count Otto Lambsdorff, the German Economics Minister, also warned after an EEC Finance Ministers meeting in Brussels that the OPEC decision could have a bad effect on the dollar.

Mr. Healey said that turbulence in the existing currency snake, the Common Market's joint float, over the past two years had been due mainly to flows of money out of dollars and into the D-Mark.

He doubted whether the EMS, after it took effect on January 1, would be any more successful than the snake in discouraging such inflows. It would not be possible to stabilise European currencies unless reasonable dollar stability was also assured.

The Minister decided that the parities at which participating currencies will enter the EMS will be based on market rates at the close of trading on December 29.

Members of the snake—Germany, Denmark and the Benelux countries—have said they intend to keep their present relative parities inside the EMS, but there could clearly be some adjustment over the next 10 days of other EEC currencies.

The majority of ministers agreed, on the basis of a report by EEC central bank governors, that gold deposited with the European Monetary Co-operation Fund in exchange for European currency units should be valued at 75 per cent of the free market price.

Mrs. Thatcher turns to year-old pay policy

BY ELINOR GOODMAN, LOBBY STAFF

MRS. MARGARET THATCHER, the Conservative leader, yesterday took refuge in a policy statement on pay more than a year old, in an attempt to show that the Tories have a united front on the subject. The statement was one agreed by almost all shades of opinion within the party.

Speaking to party members at Paddington, West London, she seemed to want to kill any idea that she favoured a wages "free-for-all," while keeping open as many options as possible.

Rejecting "fixed, inflexible percentages," she said that a Conservative Government would talk with all the parties involved to get across the message that a "solvent nation" could operate only within certain "inescapable financial constraints."

The party's pay policy was she reiterated, set out in The Right Approach to the Economy, the Tory policy document produced before last year's party conference by a team of shadow Ministers including Sir Keith Joseph, Sir Geoffrey Howe and Mr. James Prior.

Showing its mixed authorship, it includes passages which appeal to monetarists, as well as phrases which suggest that the party accepts the inevitability of the Government's becoming involved in the pay forum.

In view of the way the speech had been presented in advance as a major policy initiative, some Conservative MPs appeared disappointed by its contents. They asked why she had risked opening up old wounds within the party if she did not have anything new to say.

Others defended her speech on the grounds that, if the party is to make the best use of the Government's embarrassment over pay policy, it must convince the public that it has a plausible policy of its own.

It is essential, it is being said, for Mrs. Thatcher to kill the impression created by her television appearance during this year's party conference in Brighton, that she was in favour of a wages free-for-all. Opinion polls have shown that this is not a popular stance and, in conference post-mortems, some shadow Ministers felt that the party's electoral chances would be hampered if this impression was allowed to stand.

Mrs. Thatcher said yesterday that the Tories shared the Government's aim of reducing inflation, but not its methods. Strict control of the money supply, together with firm management of Government expenditure, were important features of the party's approach.

She talked enigmatically about recognising the need in both public and private sectors for varied rates of pay, with increases which reflected supply and demand, skills, effort, experience, risk and the employers' capacity to pay.

Editorial comment, Page 14

SE will probe Alginate deals

BY ANDREW TAYLOR

THE LONDON Stock Exchange has launched a preliminary inquiry into share dealings in Alginate, the seaweed-processing group which received a £21½m bid last week from Merck, the U.S. pharmaceutical group.

The Stock Exchange also confirmed that there was to be full-scale investigation of the marked drop in the price of Dunbee Combex Marx shares before the toy group's interim results in October.

The preliminary inquiry into Alginate share dealings was prompted by a sharp rise in the group's shares shortly before an announcement that a bid approach had been received from Merck.

The Stock Exchange stressed that any sharp share-price movement was monitored by the Exchange "as a matter of routine." It was too early to say whether Alginate would be the subject of a full investigation.

According to Stock Exchange records no dealings at all in Alginate were marked between November 28 and December 7. On December 11, 24 hours before the bid approach announcement, the shares rose by 23p, to 255p.

By the end of last week Alginate's shares had risen to 370p, compared with Merck's agreed bid price of 385p a share.

The Stock Exchange's full investigation into Dunbee Combex Marx share dealings follows the drop in the group's share price before announcement of a £2.96m first-half loss.

In the month before the loss announcement Dunbee's share price slipped 33p to 120p. This was despite a previously optimistic statement on profits by Lord Westwood, Dunbee's chairman.

The share-price fall may have been influenced by a pessimistic report on the group from the stockbrokers Montagu Loebl Stanley before the interim statement.

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For latest Share Index 'phone 01-246 8026

German metal union rejects compromise bid

BY ADRIAN DICKS

BONN — The West German steelworkers' union, IG-Metall, yesterday turned down officially the complex compromise deal, backed by an independent mediator, that had offered the best hope yet of an early solution to the stoppage in the industry, now entering its fourth week.

Herr Eugen Loderer, the IG-Metall president, said in a radio interview that the union remained ready to resume negotiations at any time. But he warned that he could see no chance of a solution before Christmas. The union leader criticised the compromise package on the grounds that fewer than half of the 200,000 steelworkers in the North Rhine-Westphalia, Bremen and Osnabrueck regions would benefit from the proposed deal on shorter working hours.

In the meantime, the mediator, Herr Friedhelm Farthmann, the North Rhine-Westphalia state Minister of Labour, announced that he was giving up his efforts because he could see no possibility of further movement on either side.

Herr Franz Weisweiler, chairman of the Iron and Steel Employers' Association, warned that the weekend compromise must be accepted as a whole, or not at all. Now that the union had turned it down, "everything is wide open again," he said.

The compromise solution had seemed attractive because it offered both sides a face-saving wa yout of an impasse. For the steel employers, it made a special case out of men working "swing" shifts and other unsocial hours, without conced ing for theindustry as whole the IG-Metall claim for a general "first step" towards a working week shorter than the present 40 hours.

Tailored closely to the steel industry's working conditions, it would have been difficult for the union to transfer it to the engineering sector, where its next major wage battle will be next major wage battle will be fought.

At the same time, IG-Metall could have claimed that such a first step had been taken, since a very substantial number of its members would benefit from the compromise proposals. The most important point would be to give the men working unsocial shifts four extra free shifts this year, and 6½ days in 1980. A 4 per cent pay rise, longer holidays and a three-year basic wage contract were the other key elements.

Despite the negative tone taken by all parties on Monday, many observers are still confident that Herr Farthmann's compromise will form the basis of an eventual deal. Both sides appeared last night to be waiting for the right psychological and political moment before making any further move.

Some 80,000 men in the industry are either on strike or locked out by their employeers.

Chirac seeks to purge critics

By David White

PARIS — The cat-and-dog quarrels erupting around M. Jacques Chirac, leader of the Gaullist party, Rassemblement pour la Republique (RPR) have grown so ferocious that the bone the party has been picking with the Government has been forgotten momentarily.

At the weekend, M. Chirac snarled back at M. Alain Peyrefitte, the Justice Minister and one of the senior Gaullists in the centre-right Cabinet, who had written to RPR deputies to say that M. Chirac has gone beyond the pale in accusing the Government of selling French sovereignty.

M. Chirac urged him to do the decent thing and leave the party.

The main centre of controversy, however, has shifted from the European question, on which M. Chirac has considerable Gaullist backing and public anti-German sentiment to support him, to his own autocratic style of leadership.

M. Alexandre Sanguinetti, a Gaullist heavyweight who withdrew his support from M. Chirac last week, returned to the fight on Sunday, describing the party organisation as "authoritarian, not to say fascist." In a newspaper interview, he complained that some of the Gaullist movement's most loyal members were condemned to silence.

The attacks of M. Sanguinetti were aimed at the party's "conformism and immobility." On Europe, he had little with which to reproach M. Chirac, "barring some excesses." M. Chirac's controversial declerations, issued from a hospital bed at the beginning of the month, were in line with his own attitudes and those of M. Michel Debré, that other Gaullist stalwart.

But, if M. Sanguinetti and M. Peyrefitte diverged on the political issue, they both accused M. Chirac of being manipulated by a small group of close associates within the party. The Justice Minister referred to them as "hidden personalities," while M. Sanguinetti dubbed them "the Gang of Four."

ITALY'S STATE ENTERPRISES

Unedifying ritual for choosing new leaders

BY RUPERT CORNWELL

ROME — "That's all we need, for the managing director to start thinking he has the right to be a candidate for chairman," one prominent left-wing Italian Deputy is reported to have said about the row which has engulfed manoeuvring for appointments to the top jobs at the largest state-owned enterprises.

He was referring to the attempt to oust Sig. Alberto Boyer, managing director of the state conglomerate Istituto per la Ricostrucione Industriale (IRI), the largest and probably the most influential corporation of this type.

Apochryphal or otherwise, the outburst is revealing. Firstly, it indicates the extent to which the selection of chief executives of bodies which are central to the country's industrial well-being is dictated by political rather than managerial considerations. Secondly, it shows how the Left, either openly or covertly, joins in a process once held to be virtually the exclusive preserve of the Christian Democrats and their factions.

At the best of times the ritual is less than edifying. This year things have been, if anything, worse, thanks both to the importance of the prizes at stake and to the delicacy of Italy's internal situation, which has made it even more important than usual for the politicians to get the right men in the right places.

The struggle is the most vivid example of the inextricable links between politics and industry in Italy. It is fought out on the battlefield of the public sector which accounts for roughly 50 per cent of the economy. The entanglements are epitomised by the existence of a separate Ministry of State Participations— in a sense the hub of the wheel by which political patronage is extended deep into almost every nook of the economy.

The spoils on this occasion include more than IRI, with its 500,000 employees and L14,000bn (£9.5bn) of declared turnover, and which probably exerts even greater influence in that it controls four of the country's largest commercial banks, much of Italy's steel and engineering industries, the state airline Alitalia, the telecommunications sector and the state broadcasting authority, RAI.

There is also Ente Nazionale Idrocarburi (ENI), the publicly owned oil and gas corporation, ENEL, which both produces and supplies electricity, EFIM, an agency with interests in the arms industry and in various manufacturing activities in the South, and INA, the state insurance group.

To make matters still worse, the spoils have to be distributed in such a way as to respect the current fragile balance of political forces. In the last few days the pressures have become so great that the whole simmering pot has boiled over, with a public call for the resignation of Sig. Boyer from the Minister of State Participations, Sig. Antonio Bisaglia.

Sig. Bisaglia's demand was based on the allegedly unauthorised involvement of an IRI subsidiary, Condotte d'Acqua, in a murky Iranian property deal but almost everyone believes that the Minister was making a bold, if not desperate, gambit to secure the pattern of appointments he wanted.

Unfortunately Sig. Boyer had become something of a symbol to those who oppose the present way of doing things. He was also the candidate of IRI management staff who want to replace the outgoing chairman, Sig. Guiseppe Petrilli, not with some political nominee, but with a man like Sig. Boyer who understands IRI.

More pertinently, he has attracted the support of Christian Democrat factions at odds with Sig. Bisaglia and, in particular, of the party's secretary-general, Sig. Benigno Zaccagnini. Behind the exchanges are the competing grand designs of who should go where. Behind those, in turn, are the rival strategies at the heart of the party's divisions— whether it should pursue coexistence with the Communists (PCI) as favoured by Sig. Zaccagnini, or whether the time has come for a return to some revamped version of the Centre-Left in alliance with the Socialists.

The struggle over the nominations is thus intimately involved with both the manoeuvring before the Christian Democrat congress in the spring and with the basic political dilemma facing Italy.

Ostensibly, at least, the Communists are on the sidelines, though they would doubtless like Sig. Boyer to stay on at IRI.

Over ENI, too, the factions are in dispute. The currently favoured solution is for the chairmanship to go to the Socialist-leaning and Socialist Party candidate, Sig. Giorgio Mazzanti, but there is still talk that the present incumbent, Sig. Pietro Sette, should stay where he is.

The whole Gordian knot is expected to be cut at a Cabinet meeting this week, after a final flurry of meetings between the principal power-brokers. But whatever solution is adopted will then have to run the parliamentary gauntlet.

For Sig. Giulio Andreotti, the Prime Minister, the State concerns have become yet another issue which could precipitate the downfall of his Government. With a three-year economic recovery plan and the renegotiation of wage contracts already queueing up for attention, it is an issue that could hardly have come at a worse time.

Getting Danish numbers

BY HILARY BARNES

COPENHAGEN — The intelligence service of a Warsaw Pact country has collected the Central Presons Register (CPR) numbers of about a quarter of the Danish population, according to Berlingske Tidende, the Copenhagen newspaper.

Everyone resident in Denmark has a CPR number which is used to keep a complete computerised register of the population. The numbers are used by the tax and car licence authorities, the health service, and by banks and insurance companies.

The newspaper said that a Nordic intelligence service uncovered the Warsaw Pact's interest in CPR numbers after finding and analysing a collection of reference books containing the names of Danish personalities, local government and health service personnel in an abandoned car on the Finnish-Swedish frontier. The reference books contained the CPR numbers written in the margin in invisible ink.

Two members of Folketing (parliament) have put down questions to the Minister of Justice asking him to provide further information on the newspaper claims.

Scandinavia air talks resume

By William Dullforce

STOCKHOLM—Talks between Britain and the three Scandinavian countries on a new airline agreement resumed here yesterday with only 13 days to go to the expiry of the existing agreement. Both sides expressed hope that the remaining differences would be settled before the end of the week. Failure would mean the end of scheduled airline services between Britain and Denmark, Norway and Sweden on January 1.

Still to be agreed are the destinations for new North Sea routes and the rights of independent British airlines to a share in the traffic. The existing agreement was terminated by the Scandinavians last December after pressure from the British authorities to allow other airlines to provide competition to SAS and British Airways, who control about 80 per cent of the traffic.

E. Germany sets lower targets

BY LESLIE COLITT

BERLIN — East Germany, in line with other Comecon countries, has lowered its plan targets for next year, but not as sharply as in most of the other Communist States.

East Germany's national income, roughly equivalent to GNP in the West, should rise by 4.3 per cent, one of the lowest targets in recent years. This is largely due to much reduced target figures for agricultural output, mainly in animal production, of 1.3 per cent growth. The five-year plan had stipulated 5.1 per cent growth in national income next year, and to achieve the overall five-year target East Germany's national income would now have to rise an unlikely 8.5 per cent in 1980.

The country's Finance Minister has disclosed that defence spending is to increase from 8.26bn East German Marks (£2.19bn) planned this year, to M8.6bn next year, presumably the increase agreed at the Warsaw Pact meeting in Moscow late last month which Romania refused to endorse.

In addition, East Germany has annual spending of over M3bn for its border troops and internal security which, together with defence, made up 11.6 per cent of this year's planned State budget.

Industrial production in East Germany should increase by 5.5 per cent compared with 5.7 per cent planned for this year. Actual industrial production went up 4 per cent last year and 6.4 per cent in 1976. Herr Erich Honecker, East Germany's President and Communist Party leader, told his central committee last week that East Germany had to achieve international standards in its industrial production, or industry would be "organising a constant and costly lag."

Labour productivity, a key element in achieving industrial growth, is expected to increase by 4.6 per cent next year compared with a 5 per cent target for this year and 4.2 per cent growth last year. Investments should increase by 5.6 per cent next year compared with the planned 2.1 per cent this year and 5.4 per cent achieved in 1977.

Retail trade turnover, an indication of the level of private consumption, is set to expand by 4 per cent in 1979, the same as planned for this year. The target figure for 1979 is in line with the five year plan. These targets have been over-fulfilled each year, as personal income has risen faster than planned. No figures have been released on the growth planned for the net income of East Germans, which was set at 4 per cent this year.

Warning by Moscow on Sino-U.S. agreement

By Tony Robinson

Although the Soviet leadership has not yet made any official comment on the Sino-U.S. decision to establish diplomatic relations, Soviet media commentators have underlined that while the decision itself was not surprising, normalisation of relations, if it took an anti-Soviet bias, could be "fraught with grave danger to peace between Asia and elsewhere."

Moscow Radio, broadcasting to a domestic audience, noted that "the Chinese authorities have of late stopped talking of their holy duty to liberate Taiwan and now they even speak of reaching a settlement with the fascists on the basis of preserving a capitalist system on the island. It is not surprising that after such assurances, Washington has decided to recognise the present Chinese regime."

In its broadcasts to South-East Asia, Moscow Radio commented that "the NATO headquarters regard as a natural ally its branch in the East, so to say, and this too suits the imperialists who have an ambition to divide the world into blocs opposed to each other." In view of the situation in Vietnam, it added "the idea of creating a tripartite military and political alliance of the U.S., Japan and China cannot but arouse anxiety."

Significantly, the Soviet media has also quoted at length a statement in the Japanese Communist Party newspaper Akahata. Relations between Moscow and the Japanese Communist Party cooled down considerably during the unsuccessful negotiations on a Soviet-Japanese friendship treaty. Soviet refusal to hand back the four Kurile islands occupied at the end of the last war offended the nationalist susceptibilities of the Communist Party as well as the Government. Relations have improved, however, since the signature of the Sino-Japanese friendship treaty.

Akahata, quoted at length by the Soviet news agency TASS, noted that "the U.S. will continue to maintain relations with Taiwan and the possibility of U.S. interference will remain." It acused China of planning to perpetuate and consolidate the Japanese-U.S. military alliance, of support for the re-birth of Japanese militarism, the deployment of U.S. troops in Asia and the U.S. nuclear umbrella.

Credit aid for Danish shipowners

BY OUR OWN CORRESPONDENT

COPENHAGEN—The A. P. Moeller shipping and industrial group has placed an order for four specialised container vessels, understood to be of about 33,000 dwt each, with its subsidiary company, the Odense shipyard at Lindoe.

The announcement was made after a decision by Mr. Arne Christiansen, Minister of Commerce, to improve the terms on which vessels ordered by Danish owners at Danish yards can be financed. Under the new terms, up to 80 per cent of the price of vessels can be financed through the Ship Credit Institute at 8 per cent over 14 years with a four-year grace period with no repayment of principal.

Under the existing terms, ships are financed on the same terms but over 10 years with no grace period.

Mr. Charles Hansen, leader of the shipyard workers' union, said the new arrangement could save up to 5,000 jobs in the shipyards and as many again with sub-contractors. About 11,000 people are employed directly in Danish shipyards.

Mr. Christiansen is still considering whether to offer aid to shipping companies, many of which are heading for an acute cash crisis if the Government does not offer them a moratorium on repayments to the Ship Credit Institute.

AP adds: Mr. Christiansen rejected a request made by the shipowners last week for access to take up foreign loans to finance the operation of their vessels. The Minister told a questioner in the Folketing that Denmark's monetary policies do not permit private loans abroad for such purposes and that no exception could be made for shipowners.

He expected to produce proposals early next year for tiding over shipowners for the next three to four years. A two-year moratorium on existing debts to the Ship Credit Institute is one possibility.

Renault will lay off 1,200 workers

Renault, the French state-owned motor company, is to lay off 1,200 workers for a week at its Grand-Couronne components manufacturing plant near Rouen, because demand has been hit by a strike of customs officers in Iran, writes Terry Dodsworth in Paris. The company assembles its R-5 model in Iran, using a large number of parts shipped from France. The lay-off will occur during the slack Christmas holiday period next week.

Euratom loan

Euratom, the Common Market's atomic energy body, yesterday announced a loan of $49.4m to the Italian electricity generating concern Ente Nazionale per l'Energia Elettrica, Reuter reports from Brussels. The money will finance construction of two new units generating 2,000 MW at the Montalto di Castro nuclear power station in Latium. The loan is for 12 years at 9.75 per cent interest

Portugal production

Portugal's industrial index was down 25 per cent from July but up less than 1 per cent from the same month last year, according to the National Statistics Institute, AP-DJ reports from Lisbon.

Ecevit in Sweden

MR. BULENT ECEVIT, the Turkish Prime Minister, began a three-day official visit to Sweden yesterday as part of a European tour, Reuter reports from Stockholm. Mr. Ecevit, who earlier visited Norway and Belgium, is expected to discuss the purchase of a $450m Swedish nuclear plant, and Cyprus, where Sweden has a contingent as part of the United Nations peace-keeping force on the island. Sweden, which in September rescheduled Turkish debts to it of $22.5m, has guaranteed credits for the nuclear deal providing Turkey signs the nuclear non-proliferation pact.

Belgian leader goes on as caretaker after split poll

BY OUR OWN CORRESPONDENT

BRUSSELS — Mr. Paul Vanden Boeynants, the Belgian Prime Minister, yesterday submitted his coalition Government's resignation to King Baudoin after the inconclusive general election on Sunday, but has been asked to continue in his caretaker capacity until a new administration can be formed.

In the wake of the election, which recorded only marginal shifts in support for Belgium's myriad political groupings, it is expected that several months of manoeuvring between party leaders could elapse before a new coalition takes office.

The slight advances made by both the Flemish CVP and francophone PSC wings of the conservative Social Bloc could, if anything, accentuate the problem of finding a new Prime Minister acceptable to the six parties that will probably make up the coalition. Each wing gained one seat in the voting, bringing their combined strength in the 212-seat Lower House to 82.

Mr. Leo Tindemans, the CVP Prime Minister whose mid-October resignation over opposition to his plans for defusing the Flemish-Walloon language war precipitated the election, and Mr. Vanden Boeynants of the PSC, are both expected to use the minor advances made by the Social Christians to back their own rival claims to the premiership.

Final results in the complex proportional representation poll which is also electing Belgium's Senate and members of provincial assemblies are not expected until today. It is already clear, however, that the Socialist parties on both sides of the language divide have lost some ground, with the Socialists in francophone Wallonia seeing their Lower House seats reduced by three to 31, thanks to gains made by the small Communist party.

The Flemish nationalist Volksunie party saw its strength reduced by six seats to 14.

Kreisky hints he may quit

VIENNA—Dr. Bruno Kreisky, the Austrian Chancellor, yesterday hinted that he would quit as head of the government if his Socialist Party lost its absolute majority at general elections planned for next October.

Dr. Kreisky, whose party holds a three seat parliamentary majority, told a news conference that he could not envisage leading a coalition government if the Socialists were defeated.

"I do not consider myself the right man for a coalition government. I do not want to return to a system in which I started my political career," he said.

The Chancellor, who has led the Austrian Government for seven years, admitted publicly yesterday for the first time that the Socialist leadership had considered bringing the elections forward, "but no decision has been taken and there is plenty of time."

He said he did not regard the loss of three Socialist seats in the Vienna city council, or the country's rejection of his government's nuclear energy policy at a referendum in November, as serious setbacks.

The government had won "an heroic battle against the world economic crisis by keeping unemployment lower than anywhere in Western Europe," he said.

Unemployment in Austria is less than 2 per cent of the workforce.

Reuter

Athens bombs 'an attack on democracy'

By Our Own Correspondent

ATHENS — Greek security police are investigating a series of more than 50 bomb explosions in which seven people were injured, one of them seriously, late on Sunday night.

An anonymous telephone caller told an Opposition newspaper that the explosions were the work of the "group for national restoration" and were meant to commemorate the death of Evangelos Mallios, a former police super-intendent convicted of torturing political prisoners during the Junta days and shot by unknown assassins two years ago.

Mr. Andreas Papandreou, the Opposition leader, has said the explosions were meant to undermine the country's democratic regime and accused the Government of being too lenient with neo-fascist elements.

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EUROPEAN NEWS

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OVERSEAS NEWS

AS EMS LAUNCH DATE NEARS

Gold set for revival

BY DAVID MARSH

THE ROLE of gold in the international monetary system looks set to take on a new lease of life when the European monetary system (EMS) is launched on January 1.

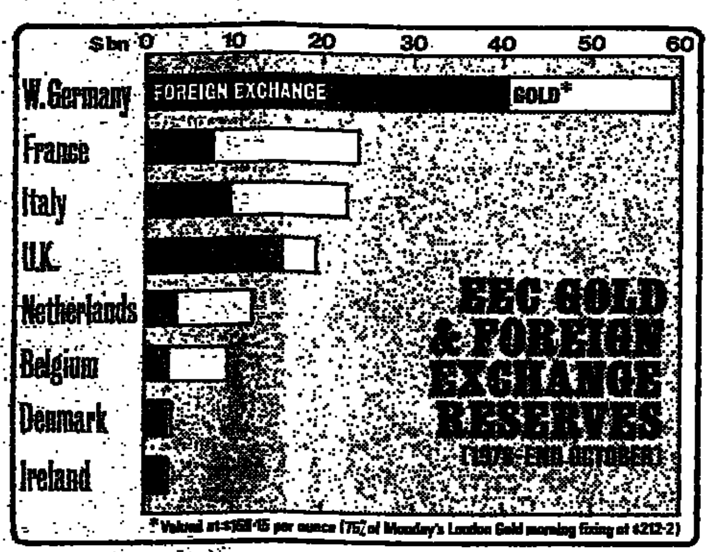
As part of the scheme to create drawing rights on a central fund of EEC reserves, the Community's central banks from that date will be able to mobilise part of their gold reserves, valued at a market-related price, in order to settle transactions among themselves. Since the EEC countries own about 40 per cent of the world's monetary gold, and only three of them—France, Italy and the Netherlands — currently value their holdings on the basis of the market rather than the much lower former official price of $42.22 per ounce, the plan has caused some misgivings among opponents of gold remonetisation in the U.S. Treasury.

The gold arrangement is part of the scheme for stabilising exchange rates agreed at the EEC sumit earlier this month, and is meant to be one step towards an eventual pooling of EEC reserves.

The central banks will deposit 20 per cent of their gold and foreign exchange reserves with the European Monetary Co-operation Fund (Fecom),

Britain is expected to take part in the reserves-depositing scheme, even though it is not participating from the outset in the exchange rate system linking the other eight members of the Community.

The deposits with Fecom will initially be on a three-monthly revolving swap basis, a compromise arrangement which avoids the thorny legal problems which would arise if the banks permanently transferred their assets.



In return, the central banks will receive an equivalent amount of European Currency Units (ECUs), which can be drawn on to settle central bank transactions, especially intervention debts.

Gold's role in all this is significant for two reasons. First, the valuation at a market-related price leaves the U.S.—which has by far the world's largest gold reserves, and has in fact been auctioning off small amounts of them to help defend the dollar—as the only important gold owner in the West still valuing its holdings purely on the basis of the old official price.

Second, the elevation of gold among the Nine to a more active reserve role from the largely passive one it has played in recent years could encourage other countries to look again at gold as a store of value to be held in their reserves.

The exact valuation procedure for gold used in the EMS will be worked out before the end of the month. The most likely formula is a discount of 20 per cent to 25 per cent below the market price, to be reset every three months. Based on the current market price of about $210 per ounce, this would put a value of roughly $70bn on the Community's 13,200 tonnes of gold, against aggregate foreign exchange holdings of some $85bn.

The discounting method follows the practice already adopted by Italy, which values its gold at 85 per cent of the London price

France alone of the EEC members values its holdings at the actual market rate, which is worked out at six-monthly intervals, expressed as an average of the London fixings over the previous three months. The Netherlands since August has used a basis of Fl 7,500 per kilo to value its gold holdings, compared with the previous rate of just over Fl 4,000—at present exchange rates, this works out as a dollar price of $114 per ounce.

All the other EEC central banks up to now have stuck to a basis of $42.22 per ounce. But because of the fall of the dollar against European currencies over the years since the valuation basis was fixed, the present dollar rate has in fact risen well above the $42.22 level for those countries which value their reserves in terms of national currencies: for West Germany, it is now around $63 per ounce, for Belgium, around $57.

Together with the prospect that Switzerland, the fourth largest gold holder in the West, will revalue its holdings at the end of the year to avoid the National Bank closing with a loss, the EEC action can be viewed as a psychological support for the gold price, which has fluctuated between $166 and $245 this year. One view being canvassed on the London market is that the rate used by the EEC will act as a nominal floor for the traded price of the metal.

Central banks, it is argued, will not want to see a fall in the gold price damaging the level of their reserves. This is undoubtedly true for France.

However, Germany, with the largest gold reserves of the Nine, is likely to set the Community tone as far as any defence of the gold price goes—and here the official word from the Bundesbank is that the valuation rate is of only minor significance. With foreign exchange reserves of $40bn, or roughly half the Community's total, Germany is never likely to be hard up for international liquidity.

Pay moderation stressed by Bundesbank

BY ADRIAN DICKS

BONN—The continuation of the upward swing of the West German economy again depends heavily on the wage increases negotiated this winter, the Bundesbank writes in its monthly economic report.

Provided these are kept within reasonable limits however, the West German central bank appears still to be broadly optimistic that 1979 will see continued, steady growth. During the third quarter of this year, it reports that real gross national product was up by 1.5 per cent from the previous quarter, and 4 per cent higher than in the third quarter of 1977.

The Bundesbank's main concern on the domestic front, apart from seeing moderation in wage bargaining, plainly lies in the realm of money supply. The report, written before the central bank council decided last week to cut the banks' rediscount quotas by DM 5bn, makes no secret of the authorities' concern at the steep rate of growth of the monetary aggregates in recent months.

Thus M3, the broadly defined money supply, shot up between August and October at an adjusted annual rate of 18.5 per cent, while the central bank money stock, the indicator which the Bundesbank uses to set its annual money supply growth targets, is expected to have increased this year by 11.5 per cent compared to a maximum 8 per cent set last January.

In dwelling once more on its concern at the effects on the domestic money supply picture of a continuing large inflow of funds from abroad, the Bundesbank also appears to be serving warning that further touches on the brakes will not be slow in coming if the authorities think they are needed.

Taiwan 'no' to talks with China

TAIPEI — Taiwan President Chiang Ching-Kuo yesterday made a stinging attack on the U.S. and angrily refused to negotiate with the Chinese Communists after Peking and Washington normalise relations on January 1.

The President, speaking at a meeting of the ruling Muomintaing (Nationalist) party, said the U.S. had "ushered a wolf into its living room. This is certainly an unwise, horrible move."

Speaking with bitterness about the U.S. decision to cut military and diplomatic ties with Taiwan, he added: "America has never severed its relations with a friendly country. Now it has done that to the Republic of China (Taiwan). Shame on the U.S."

Premier Y. S. Sun told the meeting that Taiwan, which with 500,000 troops has one of Asia's largest armies, has decided to increase military expenditure "so that we can establish a self-sustaining defence industry."

A defence budget boost would help the Armed Forces to modernise their equipment, buy new armoury and "strengthen our capability to make major weapons," he said.

U.S. Secretary of State Cyrus Vance said on Sunday the U.S. would continue to sell defensive weapons to Taiwan. But a Nationalist Foreign Ministry spokesman noted yesterday that Chinese leader Hua Kuo-Feng had strongly objected to this.

Taiwan, in conjunction with the American company Northrop, manufactures F-5E jet fighters and helicopters here. The Nationalists also make their own shells and they unveiled a Taiwanese surface-to-surface missile at recent National Day celebrations.

President Chiang said the normalisation plan was a grave setback to Taiwan's 17m people.

But the Nationalist leader, who was educated in the Soviet Union for 15 years, told the party faithful that this would never prompt him to make a deal with the Kremlin, informed sources said.

After a weekend of angry demonstrations that left two U.S. servicemen slightly injured, dozens of windows smashed and several cars damaged, Taiwan went back to work yesterday. But the U.S. Embassy, where marines had used tear gas to clear out demonstrators, was closed so staff could clean up.

Reuter

Japan balance of payments in deficit for second month

BY RICHARD C. HANSON

TOKYO — Another record outflow of long-term capital in the form of yen bonds by foreign governments and loans in November put Japan's overall balance of payments into deficit for the second consecutive month, the Finance Ministry said yesterday in a preliminary report.

A decline in Government-inspired emergency imports, however, boosted the trade surplus.

The overall balance of payments which includes capital accounts, was in deficit by $270m ($83m on an adjusted basis), less than the October deficit of $971m (an adjusted deficit of $1.2bn).

It was a sharp reversal from a year ago when a surplus of about $1.8bn was registered. The long-term capital account contributed heavily to this deficit, showing a record outflow of $1.8bn compared with the previous monthly record set in October of $1.589bn.

Japan's attempts to step up imports through special Government measures added only $425m to the import total last month, compared with more than $1bn in October. Officials at the Finance Ministry admit that the target of about $4bn in such imports will be unreachable during the present fiscal year ending March 31, but note that higher imports of manufactured goods generally will serve to lessen the trade surpluses through the next few months.

The trade surplus in November rose to $1.430bn from $1.037bn in October, but was down from a surplus of $1.615bn in November 1977. (On an adjusted basis the surplus expanded to $1.618bn from $833m.)

Exports during the month were up 19 per cent from a year ago to $8.150bn (down 8 per cent on a yen basis) while imports gained 27 per cent to $6.720bn (down 1 per cent in yen terms). The import total was below the all-time high of $7.3bn set in October. Adjusted exports rose 4.5 per cent from October while imports fell 5.8 per cent.

As a result the current account for November remained well below the monthly average so far this year of over $1bn, due to the emergency imports and a comparatively high deficit in the invisibles account. It stood at a surplus of $650m compared with a current account surplus of $364m in October.

The Government has been trying to smooth out the imbalance in overall payments as a result of heavy trade surpluses by encouraging an outflow of long-term capital in the form of loans and investments. In November, foreign governments raised Y65bn in yen bonds in Tokyo, while the Government itself made a Y74.5bn contribution to the International Development Association (IDA). Non-residents have also continued to be net sellers of Japanese securities.

Bhutto in court plea for justice

BY CHRISTOPHER SHERWELL

RAWALPINDI—Mr. Zulfikar Ali Bhutto, Pakistan's condemned former Prime Minister, emerged from his death cell in the district jail here yesterday to make a dramatic appearance before the Supreme Court hearing his appeal against execution.

It was the first time Mr. Bhutto had been seen in public since March, when the Lahore High Court sentenced him to hang for ordering the murder of a political opponent. He looked drawn and had lost weight, but he was able to speak for 90 minutes, largely without notes, and made telling political points.

Mr. Bhutto challenged his accusers, alleging that the case was fabricated. "I don't have to prove my innocence," he declared. "They have to prove my guilt beyond reasonable doubt."

He insisted he was not pleading for his life, saying: "I don't want pity. I don't want mercy, I want justice." He submitted that there had been a gross injustice, which put the Dreyfus case into the shade, but added that he had full confidence in the Supreme Court.

He complained bitterly at the conditions he had suffered both in the Lahore Court and in the Lahore and Rawalpindi jails.

"Believe me," he said at one point, shaking with emotion, "I have been shabbily treated," and he invoked help from above in his own Sindhi language.

While Mr. Bhutto spoke, strict security precautions were in force outside. Hundreds of armed police were dotted around the town, and the road adjacent to the court was sealed off. Officials, diplomats, former ministers and Bhutto supporters crammed themselves into the hot, stuffy courtroom.

All fell into a hush when Mr. Bhutto appeared. The atmosphere was electric as he began to speak. Mr. Bhutto said he felt a little dizzy, but he added that it was nice to see people again. He thanked the court for the opportunity to speak and promised not to waste its time. He had no intention of scandalising the country's institutions as there were "precious few left to scandalise."

Mr. Bhutto appeared anxious to avoid bringing in the name of General Zia-ul Haq, the man who led the military coup which deposed him in July last year. But he enquired whether he could speak about Pakistan generally because there was a "barren void" in the country and no direction. This was not allowed.

When he concluded he asked the seven judges how much time they would give him to elaborate. Mr. Anwar-ul Haq, the Chief Justice, said he could go on for as long as he had something to say relevant to his defence. Mr. Bhutto will therefore re-appear in the court this morning.

Detainees released

JAKARTA—Indonesia yesterday released 1,320 more political prisoners who had been held without trial for over 10 years. They were arrested for alleged involvement in the 1965 Communist-backed coup attempt. Another 1,300 detainees are due to be released on December 29, bringing to 10,005 the total number set free this year.

Reuter

OVERSEAS NEWS

Israel takes hard-line position

BY DAVID LENNON

TEL AVIV—Israel has no plans for breaking the deadlock in the peace negotiations with Egypt which have now reached an impasse, a Foreign Ministry spokesman said yesterday.

An official close to Mr. Menahem Begin, the Prime Minister, said that there would be no resumption of the peace talks until Egypt withdraws its "ridiculous" demands.

Mr. Moshe Dayan, the Foreign Minister, told his staff yesterday morning that the peace talks could only be renewed on the clear understanding that the proposals which Mr. Cyrus Vance, the U.S. Secretary of State brought with him from Cairo last week were unacceptable.

This hardline position was emphasised by Sunday's decision to recall the Israel military delegation from Washington where it had negotiated with the Egyptians over Israel's withdrawal from Sinai.

Even though there have been no negotiations in Washington during the past month, bringing the team home is symbolic of Israel's decision to make no further effort at this stage to resolve the differences with Egypt over the terms of a peace agreement.

Mr. Begin will report to the Knesset today on the decision to reject the Egyptian demands and will seek the backing of the House for the Government's position.

He appeared to have widespread support in Parliament though a public opinion poll today reported that Mr. Begin's popularity had dropped almost 20 per cent in the past two months to its lowest level since he assumed office. Less than half of the population is now satisfied with his performance as Prime Minister, according to the poll.

The Jerusalem Post yesterday accused Mr. Begin of being "disingenous" in claiming that Israel was prepared to sign the package of peace agreements worked out a month ago.

The paper noted that "a month ago the focal issue of controversy was the accompanying letter which was to spell out the target date for holding elections for the Palestinian autonomy." It reminded its readers that "the Israeli Government had in effect rejected it."

Meanwhile, unrest on the occupied West Bank has led to the detention of an undisclosed number of Palestinian students by the military Government in the past few days.

They are apparently accused of leading street protests against recent land seizures by the Israeli authorities. Demonstrations in Hebron and Halhul during the past few days were only dispersed after the army fired tear gas at the stone-throwing youths.

Attempts by West Bank residents to prevent legally the Israeli seizure of their land suffered a major setback yesterday when the Israeli High Court rejected an application by 41 farms from Anata, a village north of Jerusalem, to stop the military Government expropriating over 400 acres of their land.

Uproar delays Gandhi vote

NEW DELHI—Pandemonium broke out in India's Lower House of Parliament yesterday as MPs debated whether or not Mrs. Indira Gandhi, the former Prime Minister, should be punished for breach of parliamentary privilege.

In the streets, police used tear gas to disperse supporters of Mrs. Gandhi who were demonstrating near the residence of Mr. Moranji Desai, the Prime Minister, and arrested more than 500 members of Mrs. Gandhi's wing of the Congress Party.

Six policemen were injured by stones hurled by the demonstrators in New Delhi and police arrested more than 100 members of Mrs. Gandhi's party in Calcutta who were protesting against what they called the "fascist methods" of the Janata Government.

In the Lok Sabha (Lower House), opposition and Janata members hurled abuse at each other as the four-hour debate became bogged down in procedural wrangles.

Mr. Desai and Mr. C. M. Stephen, the opposition leader, agreed to extend the debate for another two hours today before a vote is taken, under which Mrs. Gandhi can be imprisoned, expelled from Parliament or suspended for the remaining two weeks of the current session.
Reuter

K. K. Sharma adds: Pressure on Mr. Desai is growing from within the Janata Party as well as from the opposition. Mrs. Gandhi's Congress (I) Party is considering moving a motion of no confidence in the Government and will make its decision in the light of the outcome of the present debate.

Mrs. Gandhi's party is trying to gain time while it waits for the second development that endangers the stability of the Government and the unity of the Janata Party. That is the threat by the former Home Minister, Mr. Charan Singh, to form his own party and to split Janata

'War only solution,' says Kaunda

BY MICHAEL HOLMAN

LUSAKA—President Kenneth Kaunda yesterday set the seal on Zambia's disengagement from the Anglo-American proposals for Rhodesia with the declaration that not only was Mr. Ian Smith's removal a precondition to any settlement efforts, but also that the only solution was war.

Speaking at the opening of the first session of the fourth national assembly today, President Kaunda noted that Zambia had initially supported the Anglo-Amercain initiative. However, he continued, "nothing has happened in the 15 months since the initiative began to convince Zambia that either this initiative is serious or correctly motivated, or has any chance at all."

The initiative, he said, "accepts the active participation of Ian Smith himself in the search for a solution as necessary. It also presumes Smith's continuation in some form as an integral part of the solution. I want to state categorically that no attempt to solve the Rhodesian crisis which is not founded on a clear rejection and removal of Smith has any chance of succeeding."

The crisis would only be resolved by war, he declared, and warned that the deterioration in southern Africa "has now reached the point at which it is imperative for Zambia to arm to defend herself."

Reaffirming Zambia's support of the Rhodesian guerrilla alliance, the Patriotic Front, and the South West Africa People's Organisation (SWAPO), the President pledged that his government "will fight alongside the mainstream of the progressive forces of the world."

Dealing with the economy, President Kaunda acknowledged that the country's economic crisis was "far from over." This was mainly owing to continuing transport problems which had led to a worsening of external indebtedness

Mining sources said last week that 80,000 tonnes of copper were held up, while bankers put the country's arrears in payments for imports and remittances of profits and dividends at Kwacha 550m (£355m).

The President also announced the reorganisation of the Zambia Industrial and Mining Corporation Limited (Zimco), the 100 per cent state-owned holding company which directly or indirectly controls over 90 businesses. The measures were designed to improve Zimco's economic performance, he said.

Rhodesia counts oil attack costs

BY TONY HAWKINS

SALISBURY—Now that Rhodesian and South African firemen, have finally put out the six-day oil fire caused by nationalist guerrillas, businessmen here are starting to count the economic cost of the blaze. There is little doubt that the destruction of the 28 fuel tanks at the Salisbury oil storage depot is easily the most severe single blow that the guerrillas have struck against the Rhodesian economy in the six-year-old war.

Because oil consumption and stocks figures have not been published since 1965, it is impossible to estimate the exact cost to the Rhodesian economy of the guerrilla attack. However, an oil industry informant yesterday estimated the loss at about four days consumption. Rhodesia is understood to maintain oil stocks of between three and four weeks, so that the attack while obviously serious is far from being the knockout blow some have suggested.

The successful attack has already had two salutary effects, so far as the transitional Government is concerned. It has eliminated the sense of complacency which had become so apparent in urban areas. Rural areas, by contrast are far more realistic about the security situation.

Secondly, it has led to a marked tightening up in urban security. This follows the pattern of the Woolworths bomb attack in August, 1977 which also brought about a security clamp-down.

It has been calculated that had all 28 tanks been filled, and had all the oil been lost, the maximum oil loss would have been 21m gallons. This, however, is understood to be far in excess of the actual loss, as the tanks were not full and most of the oil was not lost.

However, no-one here is willing to minimise the foreign exchange cost of the fire. Officials here put the cost of lost oil at upwards of £10m which, they say, is bound to have an adverse impact on foreign currency allocations in the second quarter of 1979. First quarter currency allocations, announced last week, following a significant improvement in the final quarter of 1978. But the fire has apparently put paid to hopes that this allocation improvement will be maintained in the second quarter and it now seems possible that allocations show a sm ll overall increase, will have to be reduced, especially in the light of the OPEC oil price-increase announced at the weekend.

It has been estimated that it will take at least eight months to rebuild the oil storage depot. Apparently much of this can be done using domestic materials and domestic contractors—who are heavily under-employed at present anyway—thus giving the construction and steel and engineering industries a much-needed boost.

BANKING IN IRAN

Caught in the political crossfire

BY SIMON HENDERSON IN TEHRAN

THE BURNT-OUT shells of 400 banks now stand gaunt and empty in the streets of Tehran. Those which have survived undamaged in the Iranian capital huddle behind wooden screens and steel mesh.

As the victims of the arson and violence which has swept through the main cities over the past couple of months, they are vivid reminders that the jubilant advertising jargon once used, often by the banks themselves, to describe Iran's potential, is unlikely to come true.

Yet the overall picture remains depressing. The strike in the oilfields has been losing the country $60m a day in income. The new budget is likely to cut $1bn from the development budget. At the same time Ayatollah Khomeini, the chief focus for opposition to the Shah, increasingly has been emphasising the role of the strikers in the oilfields in his battle against the Shah.

It is a significant indication of Khomeini's influence that his recent call from exile near Paris for a second strike in the oilfields was answered immediately by the oilworkers. Last Saturday he said: "It is a religious duty for strikers to continue with their strikes and not to allow the oil to be taken out of the country." He sanctioned payment to strikers from religious funds.

Such dismal prognostications are sometimes belied by intermittant returns to normality. Last weekend was relatively tranquil compared with the large-scale demonstrations of December 10 and 11. After the Moslem holiday on Friday the surviving banks opened up again and some of the shops were once again in business.

It could even be that the military Government of General Goholam Reza Azhari, the Prime Minister, had succeeded in scaring some of the strikers back to work by threatening to dismiss them and to stop the pay of employees operating a go-slow.

One of the most debilitating strikes against the Shah has been among the approximately 400 graduate professionals in the Central Bank's statistics department. Like the oil field engineers, they are in a good position to do something about their hard line against the Shah because they are middle-class and educated.

This and other actions has meant that the banking system has been almost shut down for several weeks. New notes were not getting through from the Central Bank or could not be obtained from local branches. Imports were disrupted because only a fraction of staff in the Central Bank who collected the official 1 per cent of the value on letters of credit were working properly. Transfers abroad were also upset by new regulations designed to ensure rich Iranians did not transfer fortunes to other countries. Central Bank strikers alleged they had transferred $2.4bn abroad in September and October alone.

Iran's highly-profitable banking sector has been hit hard by political upheavals. Many banks have been physically gutted, business has been disrupted, profits are down and there are fears that bankruptcies and failures could follow.

Observers of Iran's highly profitable and fast-growing banking system consider bank failures or bankruptcies may occur. But measures which they have been forced to adopt recently have shored them up for a few months.

These include delays in the clearing of cheques, which now take at least 10 days instead of the two days previously required. Customers are allowed to withdraw only a quota and some accounts were temporarily frozen.

More optimistically, the crisis has come when Iran's external debt position remains low, at $10bn, because for two years the Central Bank has been enforcing a tight monetary policy.

But several banks are vulnerable after being hit badly in recent years by borrowing from abroad when the Government had put limits on domestic borrowing. They suffered when the dollar fell and took with it the rial.

The banking world is unlikely to remain the same when the political crisis ends. Of the big three, with 65 per cent of deposits, Bank Melli is Government-owned and serves as the Government's own bank; the former major shareholders of Bank Saderat, a private concern, is in jail awaiting trial for corruption; and Bank Sepah is owned by the Army Pension fund.

Along with some medium banks such as Bank Omran, owned by the Shah's trust fund, the Pahlavi Foundation, they have found themselves facing attacks from two sides. The mob has burnt them because they represent the Shah and the army, while their depositors, it is thought, have sought to withdraw much greater sums than usual to provide extra personal liquidity.

In the past the Central Bank of Iran has acted to prevent failures of banks, big or small. Earlier this year when Shi'a Moslems started withdrawals from Bank Saderat because they did not like its main shareholder—a member of the Bahai sect—the Central Bank moved in its own funds pending the working out of a political solution.

To ease the crisis, the Central Bank released an extra 120bn rials ($1.7bn) into the system more than a month ago, and has been printing a mass of new notes to replace those burnt or withdrawn.

The inflationary impact of such a policy is accepted but as one economist put it, "The inflation rate which Iran is developing from the strike-appeasing wage increase, local shortages and upset in the trade balance will be much greater than the mere printing of extra notes, one analyst with a good prediction track record has forecast that the inflation rate, which this year has run at about 14 per cent, will be over 20 per cent next year.

All told it is a very different picture from five years ago. Bank profits have fallen from 60-70 per cent then, to 20 per cent earlier this year. Even then there were worries about too high a proportion of assets being stuck in the already depressed land and property market.

Foreign banks which have formed partnerships in Iran with stakes of up to 35 per cent are also worried about how to weather the crisis. If oil production remains disrupted for long even the 70 banks which only have representative offices in Tehran—arranging loans and looking for development business—may also reconsider their position.

Saudi pledge on oil output ceiling

By James Buxton

ABU DHABI — Saudi Arabia's determination to stick to its annual production ceiling of 8.5m barrels a day is seen here as ensuring that OPEC maintains the series of price increases amounting to 14.5 per cent which it is to implement in stages next year.

Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, said that Saudi Arabia would not lift its production limits to cope with the additional demands caused by the cutback in Iranian oil output due to strikes. Only if the cutback continues for a long time and worsened—which he did not expect—would a temporary lifting of the ceiling even be considered.

Though Saudi production is currently running at well over 8.5m barrels a day—Sheikh Yamani said that on one day earlier this month, output had reached 12.85m barrels—Saudi output would keep within the production ceiling on an annual basis because of the low output earlier in the year.

Confirming that Saudi Arabia would continue to play the role of the swing producer, raising or lowering its production to enable OPEC to function as a cartel. Sheikh Yamani also said that Saudi Arabia would absorb the cut in demand that would occur if there were a surplus next year. "If there is a surplus the Saudis will bear the burden alone," he said.

The 13 OPEC countries are to raise prices by 5 per cent on January 1, by 3.8 per cent on April 1, by 2.29 per cent on July 1 and 2.69 per cent on October 1, taking the price of the benchmark Arabian light crude from $12.70 to $14.54 by the fourth quarter of 1979. The average price for the year is $13.97, making an average increase of 10 per cent. The size of the increase is made possible by the additional tightness of the oil market due to the Iran cutback.

The other major outcome of the two-day meeting here was the decision to widen the spread between the prices of light crude and the less saleable heavier varieties. Saudi Arabia had earlier indicated its intention of doing this to encourage sales of its heavier crudes and to adjust its output of light and heavier crudes to reflect the composition of its reserves.

Saudi Arabia is to increase the price of its light Berri crude while also reducing the price of its heavier crudes — Arabian Medium and Arabian heavy — before applying the quarterly percentage increases. Dr. Mana Oteiba, the United Arab Emirates Oil Minister, said Abu Dhabi was increasing the premium on its light crudes by between 5 and 15 cents.

Conference sources said that the Gulf heavy crude producers would meet informally in the next few weeks, so that Iran and Kuwait can bring their price differentials into line with those being set by Saudi Arabia and Abu Dhabi.

OPEC blow to Wall Street

By David Lascelles

NEW YORK — Wall Street reacted with swift and deep pessimism today to OPEC's decision to raise oil prices by 14.5 per cent.

The New York stock exchange slumped more than ten points within half an hour of opening, pushing the Dow Jones index below the 800 level and wiping out most of the market's gains since President Carter announced his dollar rescue package last month.

Bond prices also plummeted as investors assessed the effect of dearer oil on inflation.

OPEC's decision is expected to add about three cents a gallon to the price of petrol, an increase of about 5 per cent. But the impact will, of course be more broadly felt because of industry's increased production costs.

According to Mr. James Schlesinger, Secretary for Energy, this will push next year's inflation rate up by about 0.5 per cent. Both he and Mr. Alfred Kahn, the Administration's chief inflation-fighter, expressed surprise and dismay at the size of the increase, and Mr. Schlesinger added an appeal to OPEC to reconsider its action.

But though a rise in the price of oil is expected to add to industry's difficulty in meeting Mr. Carter's wage and price guidelines, it is likely to be greeted with satisfaction by the U.S. oil industry, which is pressing for higher returns on the domestic market.

U.S. oilmen are currently trying to persuade Mr. Carter to relax internal price controls on oil and oil products when energy legislation gives him the option to do this next May.

Effects of OPEC Page 14

Takeover investigated

JOHANNESBURG—The South African Reserve Bank has announced that it is investigating the takeover of the printing and publishing group, Hortors, by South African businessmen backed by the former Department of Information.

The takeover, by Mr. David Abramson and Mr. Stuart Pegg, was financed with foreign loans guaranteed by the former department, according to statements by Mr. Pegg.

AMERICAN NEWS

Carter's China critics to cite Senate resolution

BY JUREK MARTIN

WASHINGTON — Congressional opponents of the normalisation of Sino-American relations are likely to argue that President Jimmy Carter ignored a specific Senate resolution requiring prior consultation with Congress before altering U.S. policy towards Taiwan.

They also may seek to assert the Senate's powers over the President's right to terminate treaties to complement the existing authority of ratifying new international agreements.

This extension of Congressional powers apparently has never been tested. Earlier this year a leading critic of recognition of Peking circulated a motion to this effect but received minimal support from his colleagues.

However the Senate did pass, with no opposition, a resolution put forward by Senator Clifford Case, the New Jersey Republican who will not be returning next year, requiring the President to consult Congress before altering the status of U.S. ties with Taiwan.

White House aides freely admit that Congress was told of the normalisation negotiations just before they were announced last Friday. The main reason advanced was the need to keep the talks secret. Capitol Hill is a notorious place for leaks, it is generally agreed.

Nonetheless some Senate feathers may be ruffled by the President's by-passing of the legislative branch. Over the last few years, Congress in a number of ways has inserted itself into the foreign policy arena after the excesses of the executive in South East Asia and elsewhere.

The Administration, contends that Congress will get its say in the normalisation process, initially when the Senate votes to confirm the appointment of whoever becomes the U.S. ambassador in Peking (probably Mr. Leonard Woodcock, current head of the mission there).

Moreover, conscious of Congressional sensibilities, the Administration is also making the point that although it is abrogating the 1954 Mutual Defence Treaty with Taiwan something like 60 other treaty arrangements with Taiwan will be kept intact: mostly on economic, trade and cultural matters.

Congress will also become involved when the Administration seeks to obtain most favoured nation trading status for China. Absence of this hampers the official Government financing guarantees that can be offered to support the anticipated surge in Sino-American trade.

It is hard at this stage to gauge the mood of Congress, which is in recess, on the normalisation of relations with Peking. The Administration firmly believes that it can beat back the inevitable onslaught of the old "Free China lobby" (led by men like Senator Goldwater), but, with 20 new senators taking office next month, there is a greater than usual element of uncertainty in such political calculations.

Much will depend, therefore, on the way in which the whole debate is couched and on the issues on which key battles are fought.

Union refused injunction over Carter pay policy

BY DAVID LASCELLES

NEW YORK — A West Coast paperworkers' union which attracted nationwide publicity by challenging the legality of President Carter's wage and price guidelines in the courts, has suffered a rebuff, but could still get the pay rise it wants.

The judge in the federal court in Portland, Oregon, denied a request by the union for a preliminary injunction barring the Government from enforcing the guidelines, on the grounds that the union had so far failed to exhaust administrative remedies for its grievance.

The union, the Association of Western Pulp and Paper Workers, had argued that Mr. Carter's voluntary controls were really mandatory ones which he had no authority to impose. But the judge did not consider the potentially far-reaching implications of this argument. He ruled that if the union had a grievance, the Council on Wage and Price Stability must hold a hearing on it immediately.

The union's action arises out of a five-month long pay dispute between its 14,000 members and a number of West Coast employers. The union, which wants a pay rise of about 10.5 per cent a year over the next two years, settled with some employers before the wage guidelines were brought out on October 1. They now argue that the rest of their workers should be allowed to settle on similar terms, even though these would breach the guidelines.

Deprived of the temporary injunction they wanted, the union's best course now is to seek exemption from the guidelines on two possible grounds. One is the "tandem relationship" argument which says that workers may get pre-guideline pay rises if co-workers got these terms earlier. The other is that "gross inequity" exists between workers who settled earlier and those who did not.

Jonestown funds left to Soviet Union

IN A curious new twist to the Jonestown tragedy, Guyanese officials have revealed that letters bequeathing more than U.S.$7m in People's Temple funds to the Soviet Government were smuggled out of the commune hours before last month's mas suicide. David Buchan writes from Washington.

The letters, addressed to the Soviet Consul-General in Georgetown, requested distribution of the money for "oppressed peoples all over the world." They were released during the official Guyanese inquest into the deaths of more than 900 members of the cult.

The instructions listed the cult's bank accounts in Venezuela and at branches of Swiss banks in Panama. It appears that Soviet officials never received the letters, and Guyanese officials could not say who would finally receive the money.

Warner wins seat

MR JOHN Warner, husband of Elizabeth Taylor, the actress, has been confirmed as the new Republican Senator for Virginia. He beat Mr. Andrew Miller, the Democrat, by only 4,721 votes out of more than 1.2m cast in the election last month, Jurek Martin writes from Washington.

Virginia law stipulates that when the margin of victory is less than 1 per cent, the loser may demand a recount, but has to pay for it if the result is unchanged. Miller conceded after discovering that the cost could be $70,000. Since the seat was formerly held by a Republican, Mr. William Scott, the composition of the Senate is unchanged.

Shell leads group in Canada oil sands plant

BY VICTOR MACKIE

CALGARY — Plans for the construction of Canada's third oil sands plant, including a new town, have been announced by a consortium of nine oil companies headed by Shell Canada Resources Limited.

Mr. D. W. Menzel, senior vice-president of Shell Canada Resources, and Mr. J. E. Czaja, first president of mining development, said an application to build the $C4.9bn (£2.2bn) plant, with a capacity of 140,000 barrels a day of synthetic oil, have been sent to Alberta's Energy Board.

They told reporters the board is expected to conduct hearings into the proposal early in 1979, probably during the second quarter. If the board approves the oil sands project, a general contractor would be chosen in late 1979 and site preparation would start.

The plant would employ 2,800 people. Construction would start in 1981, with a target date for completion of late 1985 or early 1986.

Shell Canada Resources has a 25 per cent interest in the project. Shell Explorer Limited has 20 per cent, Amoco Canada Petroleum Company Limited 10 per cent, and Pacific Petroleum Limited (recently acquired by Petrol Canada, the federal oil company) 9 per cent.

Chevron Standard Limited, Gulf Canada Limited, Hudson's Bay Oil and Gas Company Limited and Petrofina Canada Limited each have 8 per cent, while Dome Petroleum Limited has 4 per cent.

Mr. Menzel said total Canadian involvement in the venture would be about 27 per cent, which he described as "a considerable amount in such a large project." Alsands would be on a 42,000-acre site 64 kilometres north-east of Fort McMurray, Alberta, and would be the third oil sands plant in the region.

Chile 'at fault'

IN A NOTE to the Brazilian Government, Argentina has blamed Chile for the failure of talks in Buenos Aires to agree on terms of mediation by the Holy See in the Beagle Canal dispute, AP reports from Brasilia. Chile had diverged from already agreed positions, the note said.

Reuter adds: A Chilean airliner going to Brazil was forced to return to Santiago yesterday because it did not have the appropriate documents to overfly Argentinian territory, a Ladeco Airline official said.

Britain meets Argentina on future of Falkland Islands

GENEVA — Britain and Argentina resumed talks yesterday over the future of the Falkland Islands, the British colony 300 miles east of the southern tip of the Latin American continent.

The talks will last three days, the first two at "expert level," and the third at ministerial level between Mr. Ted Rowlands, a British Foreign Office Minister, and Capt. D. Gualter Oscar Allara, his Argentinian counterpart.

The talks are the fifth meeting in 18 months aimed at concluding agreement on forms of economic co-operation between Argentina and the Falklands, a predominantly sheep-grazing territory of 4,618 square miles, with a population of just over 2,000. The last round of talks took place in New York in September.

A British spokesman said that the Geneva negotiations "will not prejudice the positions of either Government over the conditions of sovereignty" for the Falklands. Argentina has claimed rights to the islands, not only because they were once governed by the Spanish before becoming a British colony in 1771.
AP

Support for SALT

SEVENTY five per cent of U.S. citizens back a new SALT treaty between the United States and the Soviet Union that would place limits on nuclear weapons, an Associated Press-NBC News poll shows. The level of support is five points above that found by the news poll in October and the highest in the past two years, AP reports from New York.

PSA brings $99m suit against Lockheed

SAN DIEGO—PSA, the parent company of Pacific Southwest Airlines, has sued Lockheed Corporation in a federal court here for $99m for alleged violations of federal anti-trust laws.

The suit accuses Lockheed of preventing the airline from selling two L-1011 TriStar jets delivered in 1974. SA asserted that Lockheed blocked its attempt to sell the aircraft to at least five other airlines.

In Burbank, California, Lockheed had no immediate comment on the suit.

PSA said it grounded the aircraft soon after delivery because of "mechanical problems."

After the groundings, PSA said it tried unsuccessfully to persuade Lockheed to return prepayments and credits exceeding $22m.

PSA had signed agreements to buy three more.

The suit alleged that Lockheed thwarted PSA's attempts to sell the aircraft and cited major costs of modification.
Reuter

Railway rows may end in strike action

WASHINGTON — The prospect of a nationwide rail strike is emerging on two labour fronts within the U.S. railway industry.

Developments on one front—the long-standing jurisdictional and job-security dispute between the Brotherhood of Railway and Airline Clerks and the Norfolk and Western railway—could lead to a strike in about a month.

But there is an even greater possibility of a major strike over a continuing contract dispute between the Railway clerks' union and many of the nation's major rail companies. It is understood that the National Mediation Board will set a 90-day ultimatum in motion this week, by making a "arbitration offer" in the contract dispute between the railway companies and the clerks union.
AP-DJ

U.S. COMPANY NEWS

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Agreement on subsidies aids Geneva trade talks

BY REGINALD DALE

TOKYO ROUND negotiators in Geneva have cleared another major hurdle by reaching broad agreement on a new international subsidies code, one of the key outstanding issues of the international trade talks.

The European Commission now feels able to recommend the Nine EEC governments to endorse the subsidies agreement, and the U.S. also seems to be happy with the outcome. Washington had made the issue one of its highest priorities of the entire five-year-long negotiations.

But despite important progress on this and other sectors of the talks, two serious difficulties are threatening to prevent the three main participants—the U.S., the EEC and Japan—achieving their aim of reaching outline agreement on a final package deal before Christmas. The difficulties are over new rules for safeguards against cheap imports and the extent of new industrial tariff cuts.

Nevertheless, the subsidies deal is politically significant. It should help the U.S. Administration in its bid to persuade Congress to extend trade legislation in the New Year and thus prevent the collection of new countervailing duties on subsidised imports, mainly from the EEC.

The Community has made it clear that it cannot sign the final deal unless the waiver exempting the Administration from imposing such duties is prolonged.

In the deal on subsidies, the Community has agreed to exercise restraint in seeking new markets for its farm exports without completely fossilising present trading patterns. The U.S. has dropped its earlier insistence that a special list of questionable subsidy practices be annexed to the text of the code.

Instead, a shortened version of the list originally proposed by Washington has been inserted into the main body of the agreement.

The U.S. has agreed to revise its law on counter-vailing duties to bring it in line with practice in other GATT countries. This means that in future. American countervailing duties would only be imposed if it were proved that subsidised imports were causing material injury to U.S. domestic industry.

The Community has not, however, been able to pin the U.S. down as tightly as it would have liked on the definition of material injury.

Another problem has arisen over amendments to anti-dumping regulations in the light of the subsidies agreement. The Community does not want anti-dumping procedures to be less tough than action against subsidies — given its argument that dumping is illegitimate while subsidies are not necessarily reprehensible. Japan, however, is resisting any toughening of anti-dumping measures.

Soviet gas pipe order won by Germany

By Jonathan Carr

BONN—Despite the current strike in the West German steel industry, Mannesmann has gained another large order from the Soviet Union for large-diameter steel piping.

The order given to the trading group Mannesmann Handel/Thyssen Stahlunion by the Soviet organisation V/O Promsyrioimport is for 700,000 tonnes of gas piping. No precise figure for the value of the order is given, but it is thought to be close to DM 1bn.

The pipes will be produced in the new factory of Mannesmannroehren-Werke at Muelheim in the Ruhr area, and delivered throughout next year.

The factory is one of those hit by the strike, and the company warns that a continuation of the stoppage, now three weeks old, could place both fulfilment of the order and jobs in danger.

Mannesmann is one of the world's leading steel piping manufacturers and has received orders for more than 4m tonnes from the Soviet Union since 1970.

The company is also a leading plant construction and engineering group. Last month it announced a new DM 613m investment programme—much of that going to the pipes division.

UK process plant companies may miss opportunities in India

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE UK process plant industry has only a short time to convince the Indian authorities that it can supply equipment at a competitive price and meet stringent delivery dates if it is to gain a share in India's ambitious fertiliser plant expansion programme.

A mission arranged by the industry's economic development committee has just returned from India with details about the programme. Agencies of the Indian Government plan to build four major ammonia and urea plants, known as Gas I-IV, which will use gas supplied from the two fields off Bombay known as Basein and Bombay High.

When completed, at an estimated cost of £800m, they will be producing 1,250 tonnes a day of ammonia, and 4,200 tonnes a day of urea. Three other new and expanded fertiliser plants are also planned in the east of India and in Assam, one of which has already named Foster Wheeler of Britain as its main contractor.

The Indian Government has already named Rashtriya Chemicals and Fertilisers as the main contractor for Gas I and II. Although India has a sizeable process plant industry of its own, the complexity and the speed with which it wants to complete the Gas I-IV programme—all four are aimed to be completed over the next three years—means that foreign equipment will have to be brought in. The authorities estimate between 30-40 per cent will be imported, but it may well turn out to be higher.

Bids opened on November 10 for the appointment of the main foreign contractor for Gas I and II, and the two UK contractors —Humphreys & Glasgow, and Kellogg UK—have put in their tenders.

But the response of the fabrication side of the UK industry has been poor so far. Initial announcement of the tenders for fabrication equipment produced just one reply from this country 10 days before the close. The final announcement for tenders was published earlier this month.

Sir Cyril Pitts, ex-general manager of ICI International, who led the mission, admits that the reputation of the UK industry in India, is generally speaking, very poor.

"We heard allegations of uncompetitive pricing and poor delivery, as well as more minor complaints about things such as poor packaging and documentation. The result is that the Japanese, Germans, French and Italians are taking over this market."

Industry figures show that the UK accounted for around one quarter of India's imports of process plant equipment in the early 70s. By 1976, the share had shrunk to 9.2 per cent.

Yet Sir Cyril says there is still "enormous goodwill" towards the idea of buying British, which has been helped by the visits over the past 18 months first by Mrs. Judith Hart, Minister of Overseas Development, and then by the Prime Minister.

Mrs. Hart's visit in August 1977 was designed to make British aid to India, running at £140m annually, to be used more purposefully. But the Indian Government does not intend to use this aid for the building of Gas I and II.

Anger over Nigerian inspection regulations

By Lynton McLain

BRITAIN MAY call on the European Commission to take united action against a Nigerian Government plan to inspect all exports to Nigeria from January

The U.K. exported £1bn of goods to Nigeria last year and the Trade Department said yesterday it would monitor the effect of the inspections on exports.

The control on the quality, quantity and price of all exports to Nigeria, with some unnamed exemptions, was called for by the Nigerian Government to help prevent the export of excess foreign exchange from the country.

The Trade Department said the inspections could lead to delays in the export of goods, extra storage costs and more office work for exporters.

Britain would be talking with other trading partners about the impact on their trade with Nigeria. It was possible that the unilateral imposition of inspections may be a technical barrier to trade, or it may even be illegal, the Trade Department said.

Brazil shipyard earnings rise

BY DIANA SMITH

RIO DE JANEIRO—Exports of 17 bulk carriers, multi-purpose vessels and fishing vessels brought revenue of $154m to Brazilian shipyards this year. In 1977 vessel exports reached only $40m.

The stronger 1978 performance reflects an all-out drive by Brazilian shipbuilders to sell abroad, despite the world crisis. Not only do they participate in all foreign shipping trade fairs, but they have also, with Government sponsorship, organised their own trade fair in Rio de Janeiro. The first Riomar was held in 1977. The second will be held next year and, already 50 per cent of the stands have been sold.

This year's exporters are all Brazilian owned: the Ebin/So, Emaq, Caneco and Maua yards, with Maua the star performer, bringing in $79.9m from exports of four 26,500 dwt bulk carriers and three 15,000 dwt multi-purpose vessels.

Maua began production of its 15,000 tonne multi-purpose vessel in 1972, under licence from Austin and Pickersgill. With Sener of Spain, it developed the 26,500 tonne bulk carrier, and now operates ancillary companies like Helistone, a joint venture with Britain's Stone Manganese (propellors, whose welding technology Maua has now absorbed), a boiler making and finishing plant, and a gangway/davit/crane and hardware unit, which supplies other shipyards in Brazil and Latin America.

Brazil's shipyards operate under the ambitious national second shipbuilding programme devised in 1974, involving investments of $3.3bn and production of 5.3m tonnes by 1982.

The programme requires Brazilian-built vessels to have first 70 per cent, then 85 per cent national content (materials, parts and components)—ratios shipbuilders are finding it hard to achieve in this short space of time.

Brazil's potential growth as a buyer of vessels has attracted two major foreign concerns: Ishikwajima and Rhine-Scheld-Verolme. In the Rio de Janeiro area these Japanese and Dutch shipbuilders are producing bulk carriers or supertankers for the Brazilian oil monopoly, Petrobras, which imports almost $4bn a year in crude oil and exports oil derivatives to Latin America.

Petrobras bulk carriers serve a dual purpose—outward bound, they carry iron ore or other commodities for foreign clients of the mining conglomerate, Companhia Vale do Rio Doce, or other concerns, and bring back crude oil.

Verolme's Brazilian shipyards made no exports this year, while Ishikawajima of Brazil exported a floating dock, but no vessels. As a further spur, Brazilian shipbuilders now hope the Government will comply with their request to raise the level of supported financing from 80 to 90 per cent, reduce interest (currently 8 per cent) and extend periods of grace and grant other financial incentives.

Comecon debt of $200bn by 1990 predicted

By Paul Lendvai

VIENNA — The aggregate debt of the Comecon countries will reach, even under relatively favourable trading conditions, about $200bn by 1990, according to Dr. Friedrich Levick, the director of the Vienna-based Institute on East-West Comparative Economics.

The institute has prepared study for the Austrian Ministry of Trade on Austria's trade with the East in the 1977-80 period and also presented some long-term projections.

Dr. Levick added that the Comecon countries are unlikely to be able to balance their trade with the West before the end of the 1980s.

A high rate of imports from the East are unlikely and even on the assumption that there will be no upsurge of protectionism, the growth rate of East European exports to the West will not surpass 7 per cent per annum.

Western exports to the East should expand at an annual rate of 4.9 per cent, according to the institute's estimates.

Total Comecon indebtedness was expected to reach $200bn by 1990 with the Soviet Union alone accounting for up to $48bn.

Fall in Swiss textile orders

BY JOHN WICKS

ZURICH — The volume of orders on hand has fallen substantially in the Swiss textile industry in the current fourth quarter, despite considerable price concessions.

According to Dr. Alexander Hafner, director of the Swiss Textiles Chamber, in an end-of-year study published by Credit Suisse, order books have fallen off so much as a result of the higher Swiss Franc that various companies have had to introduce short time or are about to take this step. Others have decided to cease production and close down altogether, he says.

Mr. Hafner said turnover of Swiss textiles had dropped by more than 10 per cent this year. He said the industry had lost its competitive power overnight because of the "drastic appreciation" of the currency against West Germany—its biggest single customer.

He stressed the importance to textile manufacturers of the National Bank move to raise the DM exchange rate against the Swiss franc and said that the industry would also welcome Swiss co-operation with the European Monetary System and Government promotion of investments.

Despite the difficulties facing the industry, Mr. Hafner said the "psychological low" had now been overcome, with the new Swiss monetary policy and U.S. measures to support the dollar.

He viewed 1979 with what he called cautious optimism, saying it had been proved repeatedly how resistant the textiles sector was to economic setbacks.

While expressing concern at the gradual exodus of the European clothing industry to the southern Mediterranean, he stated that Swiss textile manufacturers had now plans to shift their capacities into the "low-price producer countries."

France stays in the black

By David White

PARIS — France's trade balance remained in the black last month with a seasonally adjusted surplus of FFr 342m (£38m).

Although much lower than the October surplus of FFr 721m, the figure confirms the sharp turnaround in French trade since last Autumn. This year has produced surpluses for every month so far except January and August.

But the FFr 2.9bn adjusted surplus clocked up in the first 11 months is overshadowed by the prospect that France will have to find an extra FFr 6bn next year to cover its oil bill, following the OPEC meeting in Abu Dhabi.

£32m contracts for Stone-Platt

STONE-PLATT Industries have recently won orders worth more than £32m to supply equipment to various parts of the world.

The textile machinery manufacturers, Platt Saco Lowell and Scragg have won orders worth £22m including a large, single order for Platt Saco Lowell worth £5.5m for equipment for Misr Spinning and Weaving in Egypt.

Scragg has also been awarded a £3.25m order in the U.S. for high speed, draw-texturing machines.

Polish award expected

BY CHRISTOPHER BOBINSKI

WARSAW — The Polish authorities have decided to split into two stages the award of contracts for an aromatics and polyester fibres project which is to be built at Pila and Plock and is worth an estimated $300m.

The battle for one party of the project, the 42,000 tonne annual capacity polyester filament yard and staple fibres plant at Pila, has reached the stage of final price negotiations.

The Poles are expected to award this contract, estimated to be worth in the region of $150m to $180m in the near future. Two Japanese consortia are bidding for the polyester plant against a U.S. group in which Chemtex is offering the engineering and construction along with Du Pont technology, and a British and West German group led by Davy International Projects which is offering Zimmer technology.

The Polish decision to split the contract means that companies from outside the main four groups in the race till now will be bidding for the rest of the work.

Jordan to buy helicopters

By Rami G. Khouri

AMMAN — The State-owned Jordanian airline Alia has bought two helicopters from the American manufacturers Sikorsky to launch what is believed to be the Middle East's first domestic helicopter service for business people and tourists.

The deal, worth $2.5m including spares and training, will see the two twelve-to-fourteen seater helicopters delivered and put into service in the autumn of 1980, Alia chairman and general manager Ali Ghandour said here today.

£10m joint venture in Hong Kong

EUROASIA DOCKYARD, a new joint venture between the Hong Kong shipping group C. Y. Tung and Chung Wah Shipbuilding, will build a HK$100m (£10m) shipbuilding and repair facility in Hong Kong, according to the Hong Kong Trade Development Council.

The complex will be designed to accommodate repair and construction of conventional and specialised vessels used for marine oil exploration.

New Italian container line

BY LYNTON McLAIN

THE ITALIAN Adriatica di Navigazione shipping line announced yesterday the introduction of a new class of container vessel on routes from northern Europe to the Mediterranean.

The Levante Express, the first of the two new "Boxer" class vessels owned by Sea Containers and operated by the line, will call at Felixstowe and Hull en route to Rotterdam and the Middle East starting in the middle of next month. It will be joined by the Fenicia Express in mid-March. The ships were built in Japan, but further new vessels may be built in Europe.

Each ship has a container capacity of 576 containers, three times that of earlier "Express" vessels operated by Adriatica. They carry containers on deck, with roll-on roll-off vessels carried in the hull.

The ships are provisionally expected to call at Alexandria, Lattakia, Limassol in Cyprus, Naples, Piraeus, Malta, Tripoli and Tunis.

SE ASIAN TRADE

Asean projects move ahead slowly

BY WONG SULONG IN KUALA LUMPUR

ECONOMIC MINISTERS of the five ASEAN countries who met in the Malaysian capital last week, have finally given the green light for Indonesia and Malaysia to start their urea projects, giving a boost to the ASEAN plan of regional import-substitution.

The two urea plants are among five industrial projects agreed at the ASEAN summit in Bali in February, 1976. Thailand was to undertake the manufacture of soda ash, the Philippines superphosphates, and Singapore diesel engines.

It is now close to three years since Bali, and even Datuk Hussein Onn, the Malaysian Prime Minister, a man noted for his cautious approach to things, has complained or their slow progress.

A great deal of the delay can be attributed to the ASEAN Heads of Government themselves. At Bali they were under considerable pressure to show to the world that their regional group was not merely a talking forum.

The ASEAN heads were meeting just after the Communist victories in Indo-China, and they were eager to demonstrate, particularly to an arrogant Hanoi, that ASEAN has economic as well as political clout.

It was only after the Bali summit that ASEAN began to realise the difficulties in starting these projects, as they carried out feasibility studies, and lay down the ground rules for equity participation and management. Immediately, national interests over-rode regional considerations as Indonesia demanded that Singapore limit itself to make diesel engines above 500 hp, to protect its own small plants.

At the ASEAN-Japan dialogue in August last year, the ASEAN countries closed their ranks again to extract a pledge from Tokyo to help finance the industrial projects by up to $1bn.

The urea plants are probably the easiest of the five ASEAN projects. Even if they were not designated projects, both Indonesia and Malaysia would have built them themselves, considering their large reserves of natural gas, their enormous demand for fertilisers, and in the case of Malaysia, its huge reserve of cash piling up at its national oil company, Petronas.

Malaysia's urea plant will be built at Bintulu in Sarawak, where Petronas is in partnership with Shell and Mitsubishi to build a $1bn liquid natural gas plant. The Indonesian plant will be located at Acheh, in North Sumatra.

Both the plants will have an annual capacity of slightly over 500,000 tonnes of urea and ammonia, and Indonesia's plant is estimated to cost $323m, while the cost of Malaysia's was not disclosed. Both are basically for domestic consumption, with perhaps 10 to 15 per cent for export to Thailand and the Philippines.

It was agreed that prices of their products should be comparable to world prices. There were fears, however, that the ASEAN projects could be uneconomical, and consumers might have to carry them as lame ducks.

The host country will hold 60 per cent of the equity (which it could invite foreign participation) while each of the ASEAN members will take 13 per cent, with the exception of Singapore, which will hold only one per cent. Singapore is holding back as an expression of dissatisfaction of Indonesia's stand on its diesel engine project, and partly because it consumes little of their products.

Both Indonesia and Malaysia have given 1984 as the target for their plants to go on stream. However, the appreciation of the yen now poses a problem. ASEAN would like Japan to offer finance in softer currencies, and as one Minister puts it: "It is no good if we get 2 or 3 per cent lower in interest rates, when the yen is rising by 15 to 20 per cent a year."

Nuclear export security guide

By David Fishlock, Science Editor

THE FIRST serious attempt by an important sector of the *nuclear energy industry* to respond to heightened public awareness of the dangers of nuclear proliferation, and in particular with the new U.S. Non-Proliferation Act, has been made by the international uranium industry.

The Uranium Institute, in London, has released a set of guidelines for Government nuclear export policies.

They are *designed to replace* the case-by-case approach to uranium supply contracts, which the industry finds frustratingly slow in relation to the size and time scale of new uranium mining and processing projects.

They have been submitted, with UK Government endorsement, to the International Nuclear Fuel Cycle Evaluation, the two-year reappraisal of nuclear technology launched by President Carter last year in the search for tighter controls over nuclear proliferation.

The 11 guidelines agreed by the 37 members of the Uranium Institute, which includes consumers and producers from 11 countries, implicitly criticises recent unilateral actions by the U.S., Canada and Australia.

Progress

They recommend that rules adopted by individual Governments when framing non-proliferation *objectives should* be based on a broad consensus on behaviour and should be introduced only after adequate discussions with the whole industry.

Rules should not attempt to halt technological progress, and should be consistent with the *full development of the nuclear* fuel cycle. They should be framed so as to facilitate unambiguous and non-discretionary application.

There should be a clear presumption that contracts, once concluded, will be fulfilled unless both parties agree otherwise, or unless one violates the non-proliferation rules.

Governments, *the guidelines* recommended, should assure ful*filment of all commercial con*tracts approved by their predecessors.

Professor Heinrich Mandel, chairman of the institute, introducing the report, says that the guidelines represent a remarkable unanimity between producers, processors and users of uranium.

Government Influence on International Trade in Uranium (Tthe Uranium Institute, New Zealand House, Haymarket, London, SW1.)

'Fringe bank' fights order to liquidate

BY CHRISTINE MOIR

KENDAL & DENT, a "fringe bank" with Portuguese connections, which is under a court order of provisional liquidation, *is to fight the order, according* to Lord Ponsonby of Shulbrede, a director.

The Department of Trade has acted to close the bank under provisions in the Protection of Depositors and Companies Acts *on the grounds* that it was in the public interest that the bank be wound up.

On Friday, the department won a High Court order appointing the Official Receiver as provisional liquidator pending a full winding up hearing on January 23.

On Monday of last week, the department had used the same powers to have the Official Receiver *appointed to Barnett* Christie, another small bank associated with Oceana Holdings, a public industrial group whose shares were suspended in the Stock Exchange last week.

The Department firmly denied *that* there was any connection between the two events. "There is no question of another secondary bank *crisis. Nor have* we been conducting a 'witch hunt' among the fringe banks."

Lord Ponsonby said that he believed the entire matter could be cleared up. While the Department of Trade had not *itemised the grounds* for its application, it was probably connected with Kendal & Dent's relationships with COFIL, a Portuguese bank run by the same directors.

During the revolution in *Portugal in* 1974 COFIL was placed under a closure order by the Government. That order had been contested in the courts and was overturned last month.

It was possible that the department had obtained news of the earlier court hearings and these had clouded COFIL's *status as an operating bank, said* Lord Ponsonby.

Meanwhile, Kendal and Dent has also been involved in altercations with its auditors, Stoy Hayward, over its connections with COFIL.

Lord Ponsonby said that a "fair proportion" of Kendal and Dent's funds were deposited with COFIL.

The board of Kendal and Dent has held three meetings with its auditors, who have *qualified the accounts on the* grounds that they could not obtain independent evidence of the transactions between the two banks.

Silver reserves

Stoy Hayward has recommended that additional independent share capital be injected into Kendal and Dent. The arguments apparently caused the report and accounts to be delayed, but Lord Ponsonby said that they were finally approved on Friday.

Kendal and Dent is a fringe financial organisation with assets of £7m. It specialises in silver bullion accounts by which depositors' funds are automatic*ally converted into silver* reserves. It also offers intercurrency facilities through the foreign exchange markets.

In the case of Barnett Christie, one issue is also thought to be the connections between the bank and Oceana Holdings, which has the same board. Barnett Christie's auditors have also questioned the position of loans from the bank to one of Oceana's subsidiaries, Haper Plastics.

Drug price rise of 30% worries pharmacists

BY MAURICE SAMUELSON

A GROUP representing more than 10,000 pharmacists in Britain last night expressed "grave concern" at the 30 per cent price rise in the drug Brufen agreed between the Government and Boots, its producer.

Mr. Alan Smith, chief executive of the Pharmaceutical Services Negotiating Committee, said that his organisation would seek a meeting with Mr. Roland Moyle, Health Minister, over the increased price of Brufen, used by hundreds of thousands of rheumatism sufferers.

Under the deal, disclosed in the journal of the Pharmaceutical Society, Boots agreed to pay back "excess profits" to the Treasury. Boots and the Health Department have denied that the arrangement was "secret," and the Department *said that the deal was the only* one of its kind.

It had been made possible by the Pharmaceutical Price Regulations Scheme, introduced in April, under which the Government can require manufacturers to repay excess profits.

Another reason for the price increase was to prevent European wholesalers buying Brufen in Britain at a lower price than that prevailing on the Continent.

Boots said last night that Brufen was still the lowest priced drug of its kind on the market.

Pound long-term outlook 'bearish'

By Peter Riddell, Economics Correspondent

THE SHORT-TERM prospects for sterling have improved as a result of Government action to stabilise the exchange rate, but the outlook for the pound is bearish on a longer view because of a *loss of* competitiveness, it was suggested yesterday.

The conclusion is contained in the Exchange Rate Outlook, published today by Mr. Terry Burns and Mr. Bill Robinson of the London Business School in co-operation with Gower Press and money brokers Charles Fulton and Company. The business school is not for*mally involved.*

The detailed analysis suggests that the Government will be broadly successful in its aim of stablising sterling over the *next few months.* But on a 12-month view, Outlook is less sanguine.

This is because pressures after an election to improve the UK's competitive position could be significant, monetary policy is unlikely to be consistent with exchange rate stability, and a current account deficit is expected.

The price competitiveness of *British goods is expected to* deteriorate further over the next year because UK wholesale prices are forecast to rise by 7.8 per cent next year compared with a 5.6 per cent increase in the prices of competitors.

The Deutschemark *is* expected to move upwards but the recovery in the Japanese Yen, after last month's heavy fall, probably will be at a much slower pace than in the past.

Lottery report rejected by district councils

By Paul Taylor

DISTRICT COUNCILS have told the Government they reject all the main recommendations made by the Royal Commission on Gambling on local authority lotteries.

The Royal Commission made *three main recommendations to* the Government on the lotteries, which are expected to net up to £17m this year. These were that there should be a ban on external lottery managers, expenses should be limited to 15 per cent of turnover and that income should be restricted to providing optional amenities.

In its comments on the report, the Association of District Councils says that to deny local authorities external lottery managers would be "a wholly unwarranted intrusion into freedom of action" which would not necessarily reduce costs or improve efficiency.

Labour wants united stand on Europe

BY ELINOR GOODMAN, LOBBY STAFF

THE LABOUR PARTY could go *to the polls next* year with two different and possibly contradictory manifestos on Europe. As things stand at the moment, the elections for the European Parliament could be fought on a manifesto approved only by the Left-wing dominated *National* Executive Committee.

The manifesto for the British General election, on the other *hand, has to* be agreed jointly by the Committee and the Cabinet and is likely to be less hostile towards Europe than that favoured by the executive, which opposes the *whoel idea of* direct elections to Strasbourg.

At its meeting tomorrow, at which highly controversial proposals for the British manifesto will also be discussed, the committee will be asked to approve a plan for drawing up the European manifesto agreed by *the home policy* committee headed by Mr. Anthony Wedgwood Benn and by the International Policy Committee.

MR. WEDGWOOD BENN

These two committees were responsible for drawing up the much publicised proposals for the British election *manifesto,* which ministers will be doing their best to kill off at the meeting of representatives of the NEC and the Cabinet to follow the Executive's meeting.

Under the scheme proposed *by the policy committees,* Transport House staff will be asked to draw up a draft manifesto for the European elections which will then go before a full meeting of the NEC in January. If it receives the necessary approval, *it would* then become the Labour Party's official manifesto for the direct elections.

A manifesto approved only by the NEC is likely to take a far more negative approach to Europe than one drawn up *jointly with the Cabinet.*

While the Government may *make the need to improve the* EEC's farm price policy one of the platforms of its election campaign, it would almost certainly take a softer line on things such as the European Monetary System.

As Europe will be *one of the* subjects covered by the manifesto for the British General Election, the Labour Party could be left with two different *sets of commitments.*

The situation arises because the party's much-prided constitution written in 1918, makes no provision for the possibility of European elections. While the constitution details the way the manifesto for Westminster elections has *to* be agread jointly at a "Clause 5" meeting of the NEC and Cabinet, it is up to the party now to decide how to approach the European manifesto.

The two committees *responsible* for drafting policy for the NEC have decided that *since under* the constitution it is the NEC which is entrusted with carrying out the annual conference decisions, it is this body which should have the final say on the European manifesto.

Ministers will say, however, that it would be ridiculous for the party to go to the country with two separate policies on Europe and that the Cabinet *should be involved in drawing* up the European manifesto in the same way it is for Westminster elections.

Britain's contribution to the EEC budget was the subject of a meeting of the TUC/Labour *Party Liaison Committee* yesterday. This body was set up to cement the links between the different arms of the Labour movement. It agreed that the Government should put pressure on other European governments *in an attempt to reduce Britain's* disproportionately large contribution to the Community budget.

*The committee echoed the con*cern expressed by the Prime Minister in his November speech at the Guildhall, about the lack of equity in the present arrange*ments for financing the Com*munity's activities.

Price Commission to decide on Ford

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE WEEKLY meeting of the Price Commission tomorrow, which will decide whether or not to investigate Ford, could prove an opportunity for Mr. Charles Williams, the commis*sion's chairman, to clarify the* position on pay and prices now that the Government has abandoned sanctions.

It had been widely expected that Ford, which notified the Price Commission three weeks *ago that it intended to put up its* prices by 4.9 per cent, would be investigated.

The commission's decisions on which companies it will investigate, are made independently of the Government, and Mr. Williams *emphasised again last* week that the commission is not an instrument of Government pay policy. But it is obvious that Government preference is communicated to the commission, and it is therefore possible *that the Government's weakness* in applying pressure to the private sector after last week's defeat in the Commons will lead to Ford's escaping a Price Commission investigation.

Both Ford and the Price Commission have for the last three weeks taken the view that, even if the company were to be investigated, it would be able to *implement its price increase* during the three-month period of investigation as a result of the profit safeguard clauses.

An assessment of Ford's market position by stockbrokers Phillips and Drew, published *yesterday, forecasts* that even if Ford prices are restricted, this will hardly depress domestic demand for Ford cars. The brokers also see Ford's share of the domestic market climbing up to 30 per cent in the present *month as the factories* get back to operating at high levels. On this basis, Ford's overall market share for the last quarter of 1978 is estimated at about 18½ per cent, against an average of 27 per cent in the first nine months.

Given the very strong third quarter, however, when Ford achieved a 54 per cent sales increase, the second half of this year will still see sales at 18 per cent higher than the same period last year, against a 19 per cent increase for the whole car market.

Trade curbs hit footwear exports

Financial Times Reporter

TRADE restrictions abroad hit the footwear industry with an exports fall of more than 20 per cent in October, says a *statistical survey by* the British Footwear Manufacturers' Federation.

October exports were 19.3m pairs, 20.2 per cent below the previous year. Even in value terms, normally higher, exports dropped by 12.7 per cent *to* £101.2m.

Imports in the same month rose sharply, with more than 98m pairs imported.

Builders fear plan for State control

By Michael Cassell, Building Correspondent

THE building industry has called on the Prime Minister to spell out the Government's position on proposals which would put parts of it under State control.

The industry, which has fought a national campaign against Labour Party proposals *to nationalise some* contractors and building material producers, has asked Mr. Callaghan for assurances that he is opposed to their adoption.

The request, made by Sir Maurice Laing, chairman of the *CABIN anti-nationalisation cam*paign and president of the Federation of Civil Engineering Contractors, has come in the wake of suggestions that the proposals are under active consideration for inclusion in the *next general election manifesto.*

Sir Maurice has written to the Prime Minister emphasising the "overwhelming and proven" hostility to the nationalisation plans from the public and building industry workers and expressing "serious alarm" at the prospect of the proposals becoming Government policy.

The industry was surprised and disappointed that there had *been no formal discussion on* the *plans* and continuing uncertainty over their future was damaging confidence.

"We remain convinced that nationalisation of any part, either of our industry or of our suppliers, would be damaging to the industry's overall efficiency and to the national interest."

Criticism of housing accounts

By Michael Cassell, Building Correspondent

THE RECENT history of the *Housing Corporation* represented "a saga of incompetence," according to Mr. Michael Heseltine, Opposition spokesman in the environment, who yesterday asked the Government how it intended to improve the corporation's public accountability.

Last week, the corporation was forced to postpone the publication of its annual report and accounts because of what it described as "a possible error involving a few million pounds."

In October, the Commons Public Accounts Committee said that it intended launching a *further inquiry* into the finances of housing associations as a step towards making the Housing Corporation fully accountable to Parliament.

Electric trains 'exports key'

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITISH INDUSTRY would be more strongly placed to win overseas railway contracts worth more than £1.7bn if the Government decided to back a sustained programme of rail *electrification in Britain.*

This is the central argument advanced today by the Railway Industry Association in its evidence to the joint British Rail-Government railway electrification review.

The association supports British Rail's own basic case that electrification is good on energy conservation and technical efficiency grounds, but concentrates on describing *in* detail the value of a rolling electrification programme to industry.

It points out that much of the railway manufacturing industry's past success has been related to British Rail's own projects. At present, the indus*try's annual turnover is put at* £250m, of which £100m is for exports.

The main competitors in the export of railway electrification products—Sweden, Japan, West Germany and France—were underpinned by a much larger domestic rail electrification infrastructure than is the case in Britain.

Electric traction was the key to most overseas railway expansion and modernisation projects. One British company was pursuing 40 electrification projects in 18 countries. The total value of these schemes to the British industry would be £1.7bn.

Lack of a continuous *electri*fication programme in Britain was seriously inhibiting the development of new technology needed to keep pace with foreign competition, and also created problems in determining the right level of production capacity.

Railway electrification in Britain: a railway industry view. Free from RIA, 9 Catherine Place, London SW1E 6DX.

£17,000 Victorian bird book

AT SOTHEBY'S yesterday a copy of "The Birds of New Guinea" by J. Gould and R. Bowdler Sharpe, with 300 coloured plates, sold for £17,000 in a printed books auction which totalled £121,346. Two books about Kew Gardens, one *by* Bauer, one *by* Meen, very rare, both with hand-coloured plates, realised £12,000. The same sum secured "A Collection of Roses from Nature" by Mary Lawrence.

SALEROOM

BY ANTONY THORNCROFT

Works of art and objects of vertu at Southeby's brought in *£44,993.* The highest price was £3,000 for a German rock *crystal snuff box of about 1760.* An English gold etui of about 1745 sold for £2,600 and S. J. Phillips paid £2,200 for a large English presentation gold fob seal. All the prices carry the 10 per cent buyer's premium.

At Southeby Parke Bernet, New York, on Saturday a Laver-Kirman *pictorial carpet* depicting the rulers of Persia sold for £53,300 in a rugs and carpets auction totalling £828,807.

● NEWS ANALYSIS—EVIDENCE POINTS TO THE IRA

New bomb wave is no surprise

BY STEWART DALBY

THE BOMBS in English towns should come as a surprise to no-one. The Provisional IRA has been throwing out hints since August that its autumn or winter offensive (it was never *too precise on the exact date)* would be carried over into Britain if necessary.

In an interview in Dublin's Magill Magazine in that month, a top member of the Provisionals' army council, who remained anonymous, said that the IRA had solved the *logistical problem over opera*tions in Britain, which was formidable because of massive surveillance.

Since then, lower ranking Provisionals have told journalists through various *grapevines, that the campaign* was definitely on. British Army officers said in the early autumn that intelligence reports showed an offensive was imminent.

They also said the Provos were capable of launching the *kind of campaign now in full* swing, and that they had been quiet all summer because they were reorganising. There was always the possibility that the Provos and/or the Army were crying wolf, but the balance of evidence *suggested otherwise.*

Intelligence

Behind the campaign is a determination by the Provisionals to disprove the claim *by Mr. Roy Mason,* Secretary for Northern Ireland, that security has been improved *to the stage* where a revival of economic life is possible.

From the start of his stint two years ago Mr. Mason concentrated on security, leaving the politicians well alone. He allowed the crack SAS troops, of whom there are thought to *be 120 in Northern Ireland,* to operate throughout the province.

Intelligence operations have been stepped up both by the police and the Army. The Royal Ulster Constabulary has become less partisan, it is claimed, and has been able to operate with more confidence among Roman Catholics.

The police have moved into former "no go" areas and broken up illicit protection rackets, illegal shebeens (bars) and taxi services. All of these formed an important source of *revenue for the Provisionals.*

The improved intelligence was *one of the factors behind their* re-organisation. They have broken up their loose and leaky brigade and batallion structures. Until the new offensive, security did look a bit better. All the key statistics for the year, including deaths, injuries and numbers of explosions, were down.

For a year, Mr. Mason has used the improvement to attract foreign investors to the province. At a cost in subsidies, he *has had some success.* DeLorean Motors has been the most publicised and the most costly, but with three other American concerns, it could provide 4,000 new *jobs by the early 1980s.*

That will not be enough, since with its declining industries, Northern Ireland will need 25,000 jobs by 1983 if it is to get its jobless total back to the pre-troubles level of 7 per *cent. It is a start, however. The* key question is whether more foreigners will come if the bombings continue.

Since the beginning of last month the Provisionals have been raging economic warfare. More than 120 bombs have been placed in the province, but only one person has been killed, though dozens have been injured. *Fearful of alien*ating Roman Catholic sympathy the way they did with the La Mon Restaurant bombing of February last year they are attacking factories, shops and other economic targets. They have done £12m worth of damage so far.

In terms of publicity value however, they probably have not achieved their *goal. It is* one of the lesser tragedies of Ulster that the world is so weary of the horrors of the province that it takes little notice of new atacks.

The spate of bombs in Northern Ireland, itself, for example, has warranted little news space in British newspapers or *on British television.* It is probably safe to say that most people in Britain are unaware that a campaign to rock the foundations of Mr. Mason's policy *is going on.*

The remains of a car in which a bomb, thought to be work of the IRA, exploded early yesterday in High Holborn, central London. Another bomb exploded in a car park near by. Five people were taken to hospital with minor injuries.

Hence the bombs in Britain. The Provisionals have long believed this is the way to *make Northern Ireland* an issue once again. If they successfully wreck *shops* and factories "over the water", they feel attention will be drawn to their H Block campaign.

This is where 330 Provo prisoners in the Maze Prison *at Long Kesh are refusing to* wear normal prison clothes and accept normal conditions because they are campaigning for political status. Even though the troubles are self-inflicted, they have gained much sympathy among the huge Irish population of the U.S.

The Provos also want some notice taken of what is going on in Westminster, where another five seats are to be given to Ulster; five seats which the Unionists think they will win. The Provisionals do not approve of this. Above all, they want to discredit Mr. Mason.

How long they can sustain their *campaign in Britain* and whether they have overcome the logistical difficulties in getting back their men across the Irish Sea remains to be seen. There are already worrying signs about the degree of the effectiveness of the campaign in Northern Ireland itself.

They are *not short of funds.* In Northern Ireland alone in the last year, there have been 355 bank robberies, mostly by the Provisionals giving them a haul of £210,726. In the Republic, the haul runs into millions.

The Provisionals have split their cadres into four-man active service units. Many of the activists are 17 and *18-year-olds* who are new to the movement. The only other people an individual will know in the organisation are his three companions in the unit and the man from whom he gets his orders.

Although there have been some charges for bombings in the last few weeks, no arrests of *top* or even middle ranking members have come to light. This is significant. Last year's winter offensive came to a premature end when two key operatives were "lifted." It is a chilling thought that perhaps *this winter* the Provisionals might have more staying power.

Short term interest rates 'may fall'

By Peter Riddell, Economics Correspondent

SHORT-TERM interest rates could fall during 1979 with Minimum Lending Rate below 10 per cent by the end of the year against 12½ per cent now, according to a new analysis from brokers Phillips and Drew.

The brokers expect that yields on long-dated gilt-edged stock will be highly sensitive to any downward drift in short-term rates and could fall to about 11¼ per cent by the end of 1979, against about 12¾ per cent now.

They suggest this could happen in view of a strong build-up in funds available for investment in the hands of financial institutions.

The volume of personal funds available for investment, and especially those going into life assurance and pension funds, are likely to keep pace next year with the rise in the public sector borrowing requirement.

This is in contrast to this year when, in spite of a strong inflow into National Savings, the expansion of the flow into life assurance and pension funds did not match the growth in the borrowing requirement.

This created problems for the authorities in maintaining their programmes of gilt-edged sales.

Consequently, the brokers argue, while this year there have been strong domestic reasons prompting the authorities to raise the level of interest rates, there may be scope on the domestic front in 1979 for some modernisation in the level of short rates as funding becomes less burdensome.

Phillips and Drew estimates that the funds available for long-term investment rose from £5.3bn last year to £8.8bn in 1978, with a projected rise to £9.9bn in 1979. The borrowing requirement is forecast to increase from £5.9bn to £7.8bn this year and to £8.8bn in 1979.

Objective

In a separate article, the brokers suggest that over the next year the profitability of exports should be maintained at the expense of a slight fall in price competitiveness. This reflects the Government's objective of supporting the trade-weighted exchange rate.

The brokers believe this is unlikely to have much effect on export volume, which appears to be influenced more by other factors such as quality and delivery dates.

A contrasting view of interest rates comes from brokers de Zoete and Bevan, who argue that "at best" the outlook is for further interest rate rises, possibly confined to the first half of next year, with long-term rates rising by more than short-term rates.

The brokers say rising credit demands coinciding with an increased public sector deficit, will bring higher interest rates unless the authorities choose to introduce deflationary fiscal policies.

National Savings at record £10.86bn

CONTINUING HIGH sale of inflation-proofed investments for pensioners helped raise National Savings funds by £98.2m to a record £10.86bn last month.

The retirement issue of National Savings Certificates, which earned bonuses in line with rises in the cost of living, brought in a net £26.6m. This was the fourth best month since the issue was launched in 1975.

The issue's individual investment limit was raised from £500 to £700 in October, and much of the latest inflow is believed to have come from pensioners taking advantage.

Total net inflow of National Savings came to £66.8m and the rest of the £98.2m rise came from interest and other credits to the existing accounts.

Oil tanker 'could be converted for base'

BY OUR BELFAST CORRESPONDENT

A STUDY carried out by Harland and Wolff, the Government-owned Belfast shipyard, has shown that it would be possible to convert an oil tanker into an aircraftcarrier for commercial operations in the North Sea oil fields.

The Belfast company undertook the design study for Seaforth Maritime of Aberdeen, which runs oilrig supply vessels. Seaforth has drawn up a plan in conjunction with Alidair, the independent airline based in Derby, which is being studied by the Department of Energy.

Harland and Wolff said it was possible to lengthen and strengthen the deck of a tanker to take the short take-off-and-landing aircraft specified.

Although it based its conversion on a Shell-L-class tanker build in Belfast, the company said it was not known if such a vessel would be available.

The use of an aircraft carrier for direct flights to North Sea fields from mainland airports could bring substantial savings in the cost of moving staff.

Inflation accounting

A MISSING WORD resulted in Mr. Martin Haslam, a partner in the accounting firm Keymer Haslam, being misquoted in our report on Saturday of the Financial Times conference on inflation accounting.

He suggested that the time spent debating inflation accounting could better be spent concentrating on the major problems of the business world, firstly inflation itself. In our report, the word accounting was, unfortunately, omitted.

Food spending a record in spite of price fall

FINANCIAL TIMES REPORTER

SPENDING ON food reached a record level in the third quarter of 1978 in spite of a fall in prices, according to the latest National Food Survey, issued by the Ministry of Agriculture.

It shows that average household's expenditure on food rose to £5.81 per person a week during July to September. This was 32p a week more than in the second quarter of the year and 75p more than in the third quarter of 1977.

But the survey's index of food prices showed a drop of 1.6 per cent compared with the second quarter mainly because of seasonally cheaper fresh fruit and vegetables. The index of food prices was only 8 per cent higher than a year ago, while the value of purchases was up by 14.8 per cent.

The extra spending was concentrated largely on meat and meat products as well as fruit and vegetables. Expenditure on meat and meat products, at £1.90 per person, represented 33 per cent of the weekly food budget.

Water authority savings plan

SAVINGS STAMPS at 50p each are being introduced by the Anglian Water Authority to help customers pay their water and sewerage bills.

The new system will coincide with the direct billing of more than 4m customers between the Humber and the Thames who will pay their rates direct to the authority from nex April instead of through district councils.

The stamps will be on sale at Post Offices in the New Year and the authority will also accept credit-card payments.

Direct billing, using the authority's new computer system, is expected to save £1m.

Colliery breaks record again

THE 1,760 miners at Shirebrook Colliery, near Chesterfield, have broken their weekly production record again, producing 30,500 tonnes in a week, the NCB said yesterday. It is the sixth record in eight weeks by the colliery.

The miners are trying to earn as much as possible for Christmas through the incentive bonus scheme.

London's oldest mosaic floor

BY PAUL TAYLOR

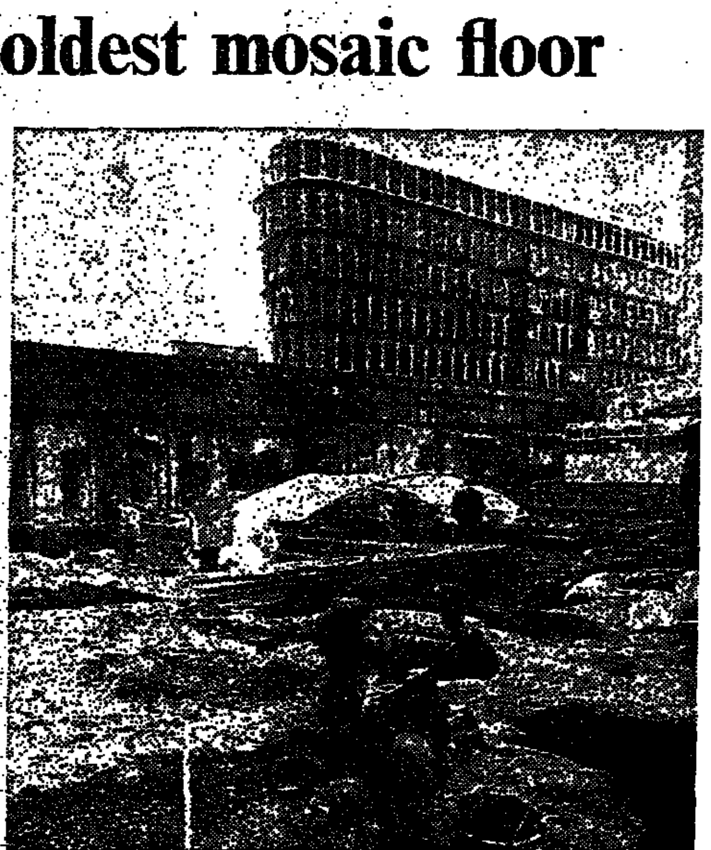
THE OLDEST Roman mosaic floor yet discovered in London and evidence of a big fire in Roman times are two important discoveries of an archaeological dig in the heart of the City of London.

The dig has been undertaken by the Museum of London's Department of Urban Archaeology at the Watling Court site in Cannon Street destined for redevelopment by contractors Higgs and Hill as offices for the Electricity Board's Pension Fund.

The dig, which started in July, officially ends on January 8. With time running out Mr. Brain Hobley, chief urban archaeologist at the museum yesterday made an urgent appeal for 30 to 60 volunteers to help over the Christmas and New Year holidays with the final stages of excavation at the site.

To date the site has confirmed evidence of the Boadicean fire in about 60 AD, the Hadrianic fire in the 120s and has suggested a hitherto unknown fire in the 150s.

It has also produced a series of Roman mosaic pavements believed to be the oldest discovered in London. The Roman remains suggest a series of impressive and "substantial" houses, probably belonging to "people in business" along what was then the Thames bank.



Hugh Routledge

Volunteers at the archaeological site in the City of London

The site has also revealed a large timber framed Saxon House measuring about 40 ft by 50 ft with a sunken floor. Traces of domestic refuse and food have been discovered on the floor enabling the archaeologists to build up a picture of the Saxon environment.

Above the Saxon remains the archaeologists have discovered mediaeval pits and chalk-lined cesspits.

Volunteers should telephone 01-606-1933.

CONTRACTS

British Gas orders compressors

GEC GAS TURBINES has been awarded a £3.7m contract by the two gas turbine-powered compressor sets for installation near Wisbech Cambridgeshire. The sets produce a total of about 50,000 hp. Each machine comprises a two-stage power turbine, fed by hot gases from an aero engine-derived gas generator, driving a compressor unit made by De Laval Stork. In addition to the supply and installation of the two sets, GEC Gas Turbines is responsible for the filtration and silencing equipment, the control gear and associated instrumentation. The sets should go into service by mid-1980.

★

Dover Harbour Board has awarded a £2.5m contract to RDL CONTRACTING, a part of the Redpath Dorman Long Group, for the design and construction of two twin-deck double-width loading bridges to service the new super berths being built at the port's Eastern Docks.

★

The National Coal Board announces the award of contracts totalling about £8m annually to supply, launder and repair workwear for 180,000 coal industry workers in England and Wales.

PROFITS AND RISKS IN TELEVISION INDUSTRY

Electronic Rentals ups its ratings

BY ANDREW TAYLOR

THE SALE by Lloyd's and Scottish for £61m of its television rental business to Electronic Rentals, announced last Friday, marks the latest in a series of deals which the group says had taken its television hire business into the number two slot in the industry.

Electronic, which operates the Visionhire concern, says that this latest acquisition will lift its market share from 8 per cent to 12 per cent and create a business generating annual turnover of about £100m.

Visionhire has been one of the more successful companies operating in an industry which has undergone a number of upheavals since 1970—many of which have been brought about by successive Government changes in legislation dealing with hire purchase, rental controls and VAT.

These changes, according to a recent Price Commission report—which concluded by blocking price rises for Visionhire and a number of other big rental concerns—have had a disturbing effect on the rental and television manufacturing industry.

Slower increase

The latter, prompted by a boom in consumer spending power at the beginning of the decade and the absence of hire purchase and rental controls—removed in July, 1971—was encouraged to increase production. Almost immediately, controls were re-introduced, with the birth of varying rates of VAT, while consumer spending power fell significantly following the inflationary effects of the 1973 oil crisis.

The Price Commission report says that the over capacity and low profitability of the television manufacturing industry can be largely attributed to Government decisions taken in the early 1970s.

The number of television sets in use in the UK—23.5m last year—has increased by about 27 per cent since 1970, but only by about 11 per cent since 1973.

In the intervening years the rental industry has undergone a number of changes with the larger concerns seeking to buy market share by acquiring their smaller, less profitable rivals.

The result is that six companies, including Visionhire, control more than 60 per cent of the U.K. rental market. The outright market leader is Thorn with a 30 per cent stake while Visionhire, with this latest deal, moves into number two position, on a par with Granada, with a 12 per cent share.

Visionhire has about 1m subscribers, about half of which have been acquired as a direct result of the group's purchases —the largest of which, before the present deal, was the acquisition of Lloyd's Surevision from the group's main shareholder, Philips Electronic and Associated Industries.

The rental companies provide a very important market for UK television manufacturers, notably through their overseas interests. It is significant that Philips has played a big role in providing finance for the latest Visionhire acquisition.

According to the Price Commission report, Visionhire takes a minimum of 75 per cent of its television sets from Philips, and this latest acquisition will provide further outlets for the television manufacturer.

The rental industry thrives on technological change. The advent of 625-line transmission, colour sets and printed circuits and semi-conductors, meant more customers flocking to rental shops.

The industry says that technological changes create uncertainty in the minds of customers and leads them to rent rather than risk an outright, and possibly expensive, purchase.

The added attraction of renting rather than buying, is the after-contract service and repair agreements provided by the rental companies. This may be coming less attractive however, as the working life of a television set has become longer.

The Price Commission estimates that rental companies control about 50 per cent of the total UK television market, but concludes that they may find it difficult to maintain this share.

The switch from black and white to colour television sets has clearly assisted the rental companies, but there is a danger that the next generation of colour sets will be purchased rather than rented now that consumer confidence in colour sets has markedly improved.

The rental companies are looking at new technological advances, such as the video cassette recorder, which they believe will boost rental contracts. Visionhire has launched a new Philips video cassette recorder as part of its contract package.

Longer term, the industry views with some optimism the advent of television systems such as Prestel—a Post Office system which provides information on a television screen via a telephone line. Visionhire has taken part in the Prestel trials.

The company has told the Price Commission that it plans to spend about £200m over the next five years to meet this potential market.

The Lloyds and Scottish acquisition will bring Visionhire a further 500,000 subscribers and about 500 new shops and service depots. The group promises some rationalisation and says this will mean redundancies for hundreds of workers.

In the year to September 30, the Lloyd's and Scottish rental interests generated profits of about £1.6m, but clearly the finance and leasing concern—in which Lloyd's Bank and the Royal Bank of Scotland each owns 39 per cent—felt that this business had too small a base to make progress and would be better off in a larger concern.

'Spread of video cassettes could bring £1bn a year'

BY MAX WILKINSON

THE UK television rental industry could gain ££1bn a year from the spread of video-cassette recorders, says a study by analysts Buckmaster and Moore.

They predict rental incomes could reach this level by the mid-1980s, when about half of colour television set owners would also wish to have a recorder.

In the longer term, if 80 per cent of television set owners were to want video recorders, rental income could be £1.5bn.

After an analysis of the four competing types of recorder available, the analysts predict that most machines rented in the UK will be of Japanese origin.

The two Japanese types available in Europe are the Betamax, developed by Sony, and the Video Home System (VHS) type developed by Matsushita's subsidiary, the Japan Victor Company (JVC). They both have a maximum recording time of about three hours, and cost about £700 to £800. The running cost of tape is between 7p and 8.4p a minute for these two systems.

The main European rival is the Philips N1700 which can record up to 2 hours 10 minutes of television programmes per tape at a cost of 13p a minute. The analysts say this system does not have great rental potential because it is considered less reliable than the Japanese competitors, costs more to run, and has a shorter recording time.

These factors have influenced Thorn, which has the largest rental business in the UK, to transfer its allegiance from Philips machines to the VHS system.

A fourth system, developed by Grundig of Germany, on the basis of the Philips system, has a maximum recording time of four hours and a tape cost of 12p a minute. It can also be pre-programmed to switch itself on and off five times during a ten-day period. However, Buckmaster and Moore consider that the system is too newly developed to be attractive to rental companies at present.

Their report estimates total sales of video cassette recorders so far in the UK are about 58,000. By next December, they expect the figure to have more than doubled to 155,000 units. Of these, they expect more than 100,000 units will be of the VHS type.

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UK NEWS — LABOUR

Manual workers plan wide campaign on pay

By Alan Pike, Labour Correspondent

THE NATIONAL UNION of Public Employees' executive has approved a programme of selective industrial action across a wide range of public-sector jobs to follow the national day of action on January 22.

NUPE members among local authority manual workers, hospital ancillary staff and members in universities, waterworks and the ambulance service will be called upon to join the action.

"The stage is now set for a major confrontation in the public sector unless the Government is prepared to move quickly and decisively to end low pay for the nation's underpaid workers," said Mr. Alan Fisher, NUPE general secretary, yesterday.

The NUPE executive endorsed rejection of pay offers within the 5 per cent guidelines to local authority, hospital and university manual workers.

NUPE is setting up a dispute fund to be launched with a "major contribution" from the union's central finances, and supported by a 40p-a-week levy on members not involved in selective strikes.

The threatened strike action among local authority manual workers and elsewhere in the public sector is expected to dominate talks between Ministers and members of the TUC Economic Committee today. In spite of removal of sanctions from the Government's pay policy armoury, Ministers are determined to hold the line in the public sector where they have direct influence.

There will be discussion on whether the idea of public-sector pay comparability, suggested in the agreement on pay policy rejected by the TUC General Council, might be developed further.

Discussion

● Mr. Anthony Wedgwood Benn, Energy Secretary, is asking the Cabinet to take action to remove the anomalies between atomic energy workers at the United Kingdom Atomic Energy Authority and British Nuclear Fuels.

Both groups of workers have rejected offers of 5 per cent, but unions representing the 4,500 UNKAEA workers called for a meeting with Mr. Benn to discuss the differences in pay between the two groups, which the unions estimate averages about £8 a week.

Mr. Mick Martin, public services' national secretary of the Transport and General Workers' Union, told Mr. Benn that if a satisfactory agreement was not reached there could be "serious trouble" in the country's nuclear plants.

The unions have claimed pay increases for craftsmen of 20 per cent, with pro rata increases for other grades, plus a reduction in the working week, extra holidays and other benefits.

Footwear workers to settle

By Our Labour Staff

BOOT AND shoe makers belonging to the National Union of Footwear, Leather and Allied Trades have accepted a pay and productivity offer worth 7.5 per cent under stage four of the Government's pay policy.

The union and the employers represented by the British Footwear Manufacturers' Federation, will meet separately today and are expected to ratify the deal, which both sides believe is within Government pay guidelines.

Adult workers will receive an overall increase of 7.5 per cent, including a self-financing productivity scheme estimated to give about 2.5 per cent. The deal will be backdated to September 1.

The agreement is to run for 18 months, with cost-of-living increases next September and the following March. A further day's paid holiday will come into effect from next September.

The deal will increase the industry's minimum rate from £38 to £42.50, payable at the age of 18.

The 50,000 footwear workers balloted on the offer, which the union recommended. The union warned of severe hardship in the industry if the deal were rejected.

Plessey men back at work

THIRTY maintenance electricians, who have been on strike for five weeks at Plessey's telecommunications plant in Edge Lane, Liverpool, over a manning issue, have returned to work.

Management and workers have now settled the dispute. Production of telecommunications equipment was not seriously affected.

Provincial Press peace talks today

BY ALAN PIKE, LABOUR CORRESPONDENT

INFORMAL TALKS on the provincial journalists' strike, now in its third week, will take place between the National Union of Journalists and the Newspaper Society today.

At the same time the union will be appealing against last week's High Court injunction ordering it to lift an instruction to Express Newspaper journalists to black copy from Press Association news agency. The appeal is being supported by the TUC.

The Newspaper Society, which represents provincial employers, has offered increases worth nearly 9 per cent and says that it will resume negotiations if there is a return to work by the 9,000 strikers. However, the union is refusing to call off the strike as a conditions of resuming negotiations.

Today's talks will therefore be on a non-negotiatitng basis between representatives of each side.

Mr. Denis MacShane, NUJ president, said after the informal talks had been agreed: "This is a cautious step forward. We hope it will lead to proper negotiations." The union's dispute committee will be meeting later today toreview the outcome of the discussions with the employers.

The NUJ said yesterday that 72 members of the National Graphical Association at the Kentish Times had been dismissed for refusing to handle material for two editions where distritc editors are on strike. NGA members have been instructed to handle only editor's material during the dispute.

Journalists on the Daily Express yesterday rejected a motion to end the blacking of Press Association copy by 63-59. The chapel (office union section) then voted to continue refusing to handle the material pending the outcome of today's Court of Appeal hearing.

At the start of the provincial journalists strike the NUJ executive instructed staff at the PA to stop work and told members on national newspapers and in broadcasting not to handle material from the agency. In the High Court on Thursday Mr. Justice Lawson decided that the NUJ instruction was not covered by the clause of the Trade Union and Labour Relations Act relating to sympathy action.

Times Newspapers management said last night that it had now sent dismissal notices to more than 3,000 of its employees. Another 1,200 staff, who have signed new agreements with the company, are not being dismissed. Mr. Duke Hussey, managing director, said last night that the two-week postponement of issuing notices had proved a "fruitless concession" which had cost £1m.

Chemical engineers told 'join a trade union'

BY OUR LABOUR STAFF

ALL MEMBERS of the Institution of Chemical Engineers have received a letter from their president, Mr. J. M. Solbett, suggesting that they join an appropriate trade union if they have not done so.

Staff in the chemical and process industries are being advised to join the Associaton of Management and Professional Staffs, and engineers to join the Engineers' and Managers Association.

The president says that because neither association is established in chemical engineering contracting, no specific advice on union membership can be given to institution members working in that sector of industry.

The institution's central council believes that trade union membership should be encouraged.

Mr. Solbett says that the role of the unions has widened, particularly after the increase in legislation affecting industrial relations.

Unions can now influence decisions affecting the status and effectiveness of professional engineers, the institution says.

Seven years ago the institution's council suggested to members in private industry that they consider joining a union and the recommendations reflect a hardening of that view. Engineers' and Managers' Association has told Mr. Eric Varley, the Industry Secretary, that British Shipbuilders must diversify into oil refinery work, coastal carrier building and consultancy work.

It also says that the Defence Ministry should assist British Shipbuilders to export more warships.

Leyland workers reject policies of 'job loss'

BY OUR LABOUR STAFF

WORKERS at Leyland Vehicles' Lancashire plans rejected the company's proposals yesterday on investment and other strategies, which they claim could mean large-scale redundancies, and called for a meeting with the full BY board.

A mass meeting at Leyland of the truck and bus division workers unanimously supported the unions' alternative strategy, which is opposed to job losses in the division.

They approved a move to see the full BL board, chaired by Mr. Michael Edwardes.

The Leyland Vehicles workers feel that the company's plans could mean up to 900 redundancies in the next 12 months.

Mr. Len Brindle, works convenor, said that the company hoped to reduce the number of jobs at the Lancashire plants by natural wastage.

The work force was "not interested in any talk of job losses." Leyland Vehicles had been commercially viable, and would continue to be.

If investment was cut the division would not remain competitive. The trade unions recognised that the division faced fundamental problems, but believed that these could be properly met only if tackled in a bold way.

Mr. Brindle said that if the union side failed to get satisfaction from a meeting with the BL Board on the strategy for Leyland Vehicles, it would take its case to the National Enterprise Board.

Management chief wants unions to modernise

FINANCIAL TIMES REPORTER

TRADE UNIONS should be encouraged by management to improve organisation and modernise their constitutions, says Mr. Leslie Tolley, chairman of the British Institute of Management.

"We need well-organised, objective and realistic trade unionism, and we must accept a properly balanced power of trade unions," he said. "But we will not get this while it is so easy for such power to be abused, and sometimes used against the national interest."

Speaking at the institute's Lincolnshire and South Humberside branch last night, Mr. Tolley told members that many requirements he outlined, including worker participation at plant rather than board level, and introduction of incentive-based economies, "would take time."

Meanwhile, management could minimise industrial and service disruption by organisation of companies and operations.

Accountants' unity call

THE UK's six accountancy bodies should move towards eventual unity, Mr. Edmund Gibbs, president of the Association of Certified Accountants, told the association's annual dinner last night.

For advertising details please ring
01-248 8000 Extn. 7008

LOCAL AUTHORITY BONDS

Every Saturday the Financial Times publishes a table giving details of Local Authority Bonds on offer to the public.

هكذا من الأصل

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMMUNICATIONS

Sending data fast and accurately

AS DISTRIBUTED computing grows—and it is growing very fast—so the effects of the proper design of the communications networks used by the computing community become more far-reaching. Packet-switching, the method by which all information sent over a network is split up into "bursts" of data in a fixed format, enabling the whole system to function without overloading or inordinate queueing, will undoubtedly become one of the preferred systems for the future.

Of considerable significance to users and potential users of data transmission networks is the recently released report on packet switching by Logica, which draws attention to the fact that public packet switching networks will offer users large cost savings in certain areas.

In Britain, such a service is due to go live in 1980 and services already are available in the U.S. and Canada and are planned for Japan, while the French Transpac system should become available during 1979.

Leading users in various countries are setting up their own private networks, making use of public networks for part of their traffic. Citibank in the U.S., for instance, has set up a $1.5m link system of its own, while in Holland, the Rijkswaterstaat is spending $2.5m.

Logica's analysis of charges for such systems as the Transpac one mentioned above shows that while private circuits will still be cheaper for those who have a large volume of data to exchange all the time, with the ordinary telephone networks scoring for light usage, there is still a wide area in between those extremes in which packet switching offers advantages.

Communication between users of a packet switched system is simplified by its ability to provide asymmetric connection if the data rate in one direction greatly exceeds that in the other. Thus it adapts to the data rate required without extra cost to the user.

This flexibility is reflected in costs and it is generally anticipated that users will pay a monthly connection charge or minimum rental, but that after this, user costs will depend on the volume of data sent through the network and will generally be independent of distance.

This is extremely important where users need to transfer relatively small amounts of information over long distances.

Quality of service will be much higher, particularly important in data handling, and while special quality leased lines will achieve one error in 10m bits, for fast communication between computers, the rate should be one bit in a billion. That can be achieved in packet-switching by including an error checker in each packet of a message.

Further from Logica at 64, Newman Street, London W1A 4SE. 01-580 8361.

● METALWORKING

Accuracy retained longer

GAUGE BLOCKS produced from tungsten carbide—as distinct from their "ordinary" steel counterparts—may demand an initially higher capital outlay, yet prove to have a lower effective cost over a longer service life, says Yorkshire Precision Gauges, Hartfield, near Doncaster, DN7 6QF (0302-840303).

Despite the utmost care and cleanliness, steel gauge blocks can wear undersize in a three- to six-month period in engineering plants which employ abrasive grits and grinding wheels.

By comparison, says the company, tungsten carbide blocks have been used for two- to three-year periods and still remain within Grade 0 tolerance. This represents a useful life of six to eight times for a price two to three times that of steel.

Slitting and slotting

DESIGNED TO carry out slitting or slotting operations of components which are usually difficult to locate and clamp — for example steel or cast iron sleeves, collets, rings and coils — is a new type of sawing unit by Rivers Kasto.

The fixture to locate and clamp the components can be designed according to the shape or size of the workpiece concerned and can be manual or semi-automatic with hydraulic clamping in operation. The machine bow can be equipped with one or two saw-blades, suitably spaced, depending on the width of cut required, or the type of operation. For example, the two blade method can be spaced to remove a wide segment or provide a double slotting operation.

The machine is based on a standard proven Kasto model and has a range of cutting speeds to suit various materials, plus variable cutting pressure. It is supplied complete with integral recirculating coolant system and machine base.

Rivers Machinery, Winnall, Winchester SO23 7RX. Winchester (0962) 60371.

● ELECTRONICS

Prototype board idea

THE NEED to translate initial designs into prototype boards as quickly as possible is still a problem for circuit designers with relatively small projects who cannot bring large scale CAD techniques to bear.

Whatever short cuts are used, the prototype board must have as many of the electrical and mechanical characteristics of the "real" board as possible.

An answer from TJB Associates of Haslemere is a kit which makes use of matrix drilled board such as Vero, a wiring pen utilising wire from which the insulation is removed at the soldering point by iron heat, and click-in (or glue-on) wiring support and guidance strips which keep the wiring in place and secure.

The strips are assembled down the length of the board at intervals commensurate with the components (usually ICs); the latter are fitted to the board and the strips inserted between them on the solder side.

U-shaped with castellations for wire side entry, the strips can accommodate a large number of wires in a low profile.

Unit 16, Blackdown Rural Industries, Haste Hill, Haslemere, Surrey, GU27 3AY (0428 52445).

Custers Hydraulics, part of the SGB Group, has designed and built this self-propelled hydraulic access platform for railway maintenance work. It has entered service on the railways in Belgium and is being used for servicing overhead electric cables and bridge repairs. It raises a payload of 265 kg to a maximum height of 13.5 metres with an outreach of 8.5 metres. The boom system rotates 225 degrees clockwise or anti-clockwise and the work cage rotates independently 90 degrees in either direction. Under its own power it travels at 5 kph towing 15 tons. It can be driven backwards or forwards from either the cage or the wagon. No outriggers are required for any boom position and power points for electric and hydraulic tools are fitted in both cage and wagon. The boom platform can track sideways while the cage is moving to negotiate overhead obstacles. Drive, hydraulic power and 220V DC current are supplied by a 54hp diesel motor. When not in use the unit folds down and can be hauled at normal speeds by a locomotive.

● MAINTENANCE

More power for cleaners

FOR THE first time in 17 years, a Danish company which claims to be the largest manufacturer of industrial suction cleaning equipment, has launched a new range.

Customers are always looking for more power, says the UK subsidiary of Nilfisk, Newmarket Road, Bury St. Edmunds, Suffolk (0284-63163). A change in turbine design — giving an increase in suction power of 50 per cent—satisfies this particular requirement, says the company, but many other criteria have been considered in the production of the new machines.

No damage can arise due to a blocked up suction opening because if the motor were to get too hot, a patented thermo-valve works in conjunction with an opening in the turbine housing to let in cooling air. While the valve is open, suction power is reduced by 8 to 10 per cent, but after a suitable cooling time, the valve can be pushed closed again.

Constantly aware that the cleaners do much service in hospital environments (the company claims that 65 per cent of hospitals in the UK use its equipment), noise level of the new range has been kept down despite its highly increased suction power.

Dust capacity has also been substantially increased because of a larger filter area and extra space in the lower part of the container.

Although generally used in conventional industrial locations, more unusual applications for the cleaners are their operation in reptile houses and collecting gold dust lost in processing false teeth.

● PHOTOGRAPHY

No need for a darkroom

A DAYLIGHT film which will not fog nor suffer any other damage from exposure to normal room lighting for up to 30 minutes is now available from Agfa-Gevaert, 27 Great West Road, Brentford, Middlesex.

The Litex DL 510p contact film does not incorporate a coloured filter layer to provide resistance to daylight, says the company, so there will be no contamination of the developer even when large quantities need to be processed. It can be processed using the dish method or automatic processors, using lith or contrast metol-hydroquinone developer.

The company says it is now possible for contacts to be made from line and screen negatives or positives outside the darkroom thus speeding up film production and reducing the workload on darkroom facilities.

● HANDLING

Press speeds up baling

BALED METAL scrap should cost less to transport from site, and command higher prices in the scrap market, if processed with its 2HSL90 range of presses, says Planters of Nelson Street, Bolton.

In order to produce regular sized bales, a weigh device is incorporated into the feed system which discharges directly into a gathering hopper.

A pivoting lid actuated by hydraulic ram and cylinder compresses the material into the baling chamber. This has the effect of producing a certain amount of precompression, and with less dense matter further dumps of materials can be arranged in order to increase the size of the finished bale.

Metal is carried forward into the pressure area by the gathering ram, and the application of two rams at right angles to each other succeeds in the production of a bale of good appearance and quality, says the company.

Presses can be designed with outputs of up to 60 bales an hour, dependent upon the feed of material, and the bales generally will be of the 300 mm by 300 mm cross section. Length will be controlled by the setting of the weigh scale and the rate of feed.

● RESEARCH

Animal feed from sewage

IN A technique developed by the Israel Institute of Technology sewage is allowed to "meander" in a 500 mm deep channel while exposed to intense sunlight.

The process encourages the growth of algae which release large volumes of oxygen, oxidising any organic matter quickly and efficiently.

Several advantages are claimed. For example, the nutrients in the sewage are removed because they are incorporated in the algae; they do not therefore find their way into the rivers and lakes ultimately receiving the purified sewage, and so the latter do not themselves suffer from organism growth.

It is claimed that the water produced is of very high quality, suitable for almost any irrigation purpose.

A bonus is that the algae can be harvested, dried and used as animal feed. They contain 40 to 50 per cent protein and yields of up to 60 tons of dry matter per acre of pond area have been obtained. The material can replace either soy meal or fish meal in feed mixes, costing about the same as the former but substantially less than the latter.

Technion—Israel Institute of Technology, Technion City, Haifa, Israel.

● IN THE OFFICE

Makes it easier to answer

INTRODUCED by Ansafone is the model 6A answering machine which, although it is no more expensive to rent than the previous model 6, offers a number of convenient features.

Exchangeable opening announcement cartridges of 30 seconds to three minutes duration can be provided so that the user can build up a library to meet changing situations — although a single cartridge can be over-recorded with a revised announcement if desired.

The incoming messages are recorded on C60 and C90 cassettes which fit under a hinged lid on top of the machine. They can be played back in situ, or the cassette played on another machine while the 6A continues to take new messages. The caller can speak for as long as he likes —there is no cut-off after a fixed time.

A useful "hand-on" facility is provided by which the user can speak "live" to a caller and then pass him to the machine if appropriate.

The 6A can be used for dictation when not on line.

More from 19 Upper Brook Street, London W1Y 2HS (01-629

Terminal for telex

LATEST version of the ZIP-ASR terminal from Data Dynamics has been designed for operation on telex circuits throughout the world—a relatively simple matter for the company because the unit is controlled by a microprocessor.

Incorporating a call control unit for "push button" dialling, the machine also has an integral five level paper punch and reader which can be turned on and off manually or by coded signals received from line. Messages can be punched on to tape with the machine in the "local" mode and then sent on-line as in standard telex practice.

The company believes that operators will appreciate the high quality typewriter-style keyboard and the absence of any need to depress figure and letter shift keys as with the normal three row telex keyboard: the machine has four rows and all the conversion to five level code is performed by the micro.

Print head is the company's standard 7 x 5 dot matrix, with locally prepared messages appearing in red and those from line in black.

Springfield Road, Hayes, Middx. (01-848 9781).

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● QUALITY CONTROL

Checks for roundness

A MACHINE with an integral micro-computer and polar recorder which provides for detailed analysis of roundness, squareness, flatness, parallelism and skew has been launched by C. E. Johansson, 66 High Street, Houghton Regis, Dunstable, Beds LU5 5BJ (Dunstable 68181).

Turntable accuracy is ±0.001 mm, and automatic centring eliminates the time consuming, setting-up stage, says the maker.

Magnifications from 50X to 10,000X are provided, and direct digital display of peak to valley height is given. So too is the offset of the true centre from that of the least squares circle, and the angular position of this offset can also be displayed.

The company has also introduced an instrument called the Intexometer for internal and external measurements of up to 215mm — and even beyond that with appropriate extension shafts.

This has twin jaws, one spring loaded whose deflection is registered on a Mikrokator dial indicator, the other lockable at any position along a hardened and ground tubular shaft.

The jaws are designed for precise measurement of internal and external dimensions.

● INSTRUMENTS

Data from two shafts

FITTED with two independent transducer amplifiers, the DFM7 digital tachometer from Control Ability is able to monitor two separate shafts and provide alternative indications without external switching.

Where two measurements have to be made the unit can offer significant cost saving compared with the installation of two separate channels, mechanical or electrical.

Ratio measurement between the two inputs can also be made, and the results appear on a bright 15mm LED display.

Inputs may be derived from magnetic, inductive or photo-electric transducers. Amplifiers and power supplies are self-contained and the unit operates from the mains or from 12 volts DC.

Able to operate over the temperature range 0 to 60 deg. C, the DFM7 measures 96mm square by 150mm deep and weighs 1.25kg.

Cambridge Street Works, Cambridge Street, Great Harwood, Blackburn, Lancashire BB6 7BU (0254 886685).

Detector in kit form

FLAMMABLE gases can be detected at 20 per cent of the lowest explosive concentration level with a leak detection system offered by ITT Controls (Maclaren Division) in kit form for easy installation.

The detector cylinder is mounted on a cast hexagonal enclosure which is certified gas tight and contains the electrical connections for the sensor.

BASEEFA approved, the Pellistor sensor consists of a heated platinum wire encapsulated inside a refractory bead catalyst; the presence of a combustible gas, catalytically oxidised on the bead's surface, raises the temperature and produces a resistance change in the wire which is a measure of the gas concentration.

The control box is a two-part construction — a base for wall mounting and mains connections, together with a top section containing the electronics. Modular construction reduces maintenance costs.

When the pre-set gas limit is reached alarms can be sounded and shut down of plant achieved. More from 333 West Street, Glasgow G5 8JE (041-429 2191).

Ultrasonic thickness gauge

TELEDICTOR has a new ultrasonic thickness gauge from Panametrics to monitor corrosion by determining remaining wall thickness.

Model 5226 can measure rough, corroded and pitted parts as thick as 10 inches or as thin as 0.040 inches at temperatures up to 500 degrees C.

This type of gauge is used for in-service inspection of pipelines, storage tanks and pressure vessels subject to corrosion, often during operation. It also can be used to make measurements in applications where other thickness gauges have difficulty because of the geometry or temperature of the part.

It gives readings on a large (0.4 inches) liquid-crystal display, which is easily read in bright sunlight. A back-light for the display makes it visible in total darkness.

A digital material velocity control allows easy calibration for any material, from lead to steel and to Beryllium. This control can also be calibrated in either English or metric units.

Teledictor, Coneygre Industrial Estate, Tipton, West Midlands, DY4 8YB. 021-557 3056.

● SAFETY

Prevention of fire at gas plant

FIRE prevention devices at the new gas processing plant now under construction for Shell (UK) Exploration and Production at St. Fergus, Scotland, are to be provided by Graviner. The Ralph M. Parsons Co. has ordered the equipment on behalf of Shell/Esso.

Areas to be protected include the main control complex, the main sub-station, three electrical sub-stations and four turbo-compressor installations.

The equipment will include Swordflash ultra-violet flame detectors, smoke detectors and fixed temperature detectors backed by a total flood Halon extinguishing system.

Graviner, which is a member of the Wilkinson Match Group, has its headquarters at 448, Basingstoke Road, Reading, Berks. RG2 0QD (Reading 85301).

● ASSEMBLY

Will make a good connection

A PORTABLE machine weighing only 34 lbs can be carried and used on-site to swage connections to hydraulic hoses, but it is also suitable for immediate repairs to equipment fitted with other hoses, says maker K. and B. Beattie (Engineers), Bedlington, Northumberland (0670-823241).

The Beattie swaging system utilises a one-piece coupling and can be used for hoses with a nominal internal diameter from 0.25 inches to 1 inch—and in certain cases up to 1.25 inches.

APPOINTMENTS

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BNOC The British National Oil Corporation

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Accountant

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Box A6580, Financial Times
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APPOINTMENTS

Lloyd's Register of Shipping

Sir Henry Mance has been elected a deputy chairman and treasurer of LLOYD'S REGISTER OF SHIPPING in succession to *Mr. J. N. S. Ridgers, who* retires on January 1. Sir Henry has followed a distinguished career in underwriting and was elected chairman of Lloyd's Underwriters' Association in 1965 and 1966, member of the committee of Lloyd's from 1966 to 1973, *deputy chairman in 1967* and 1968 and for four consecutive years from 1969, he was chairman of Lloyd's. He is a member of Lloyd's Register's general committee and was recently elected to Lloyd's Register's executive Board, executive board.

★

The committee of LLOYD'S UNDERWRITERS' NON-MARINE ASSOCIATION for 1979 will be: Mr. E. E. Nelson (chairman); Mr. M. S. Freeman (deputy chairman); Mr. M. H. Cockell (honorary treasurer); Mr. R. Ballantyne; Mr. F. Barber; Mr. D. J. Barham; Mr. P. L. Foden-Pattinson; Mr. A. B. Gray; Mr. D. E. Harman; Mr. R. D. Hazell; Mr. W. N. M. Lawrence; Mr. C. K. Murray; Mr. H. R. Rokeby-Johnson; Mr. C. H. A. Skey; Mr. C. J. Smith; Mr. J. R. S. Wace; together with the chairman and deputy chairmen of Lloyd's (ex officio).

★

Mr. John Walton, who was seconded to AMALGAMATED METAL CORPORATION by Patino NV as chief executive, has decided to rejoin the Patino group in Canada. Mr. Walton will retire at an AMC board meeting to be held on January 22, when Mr. Joerg Stegmann will be appointed to succeed him as chief executive. Mr. Stegmann, who is already a director of AMC is a member of the executive board of Preussag AG, which now holds 76.7 per cent of the issued ordinary shares of AMC.

★

Western Region of BRITISH RAIL has appointed a new chief finance officer, Mr. Alan Lee, who joins the Region from British Railways Board HQ. Mr. Lee takes over from Mr. A. J. Nicholls who has moved to *London* Midland Region.

★

Mr. David R. Butcher has been named marketing manager, international employee benefits, for the life insurance companies of AMERICAN INTERNATIONAL GROUP, INC. He will also serve as UK marketing manager of American Life Insurance Company's specialty division. American Life is a member of American International Group, Inc.

★

Dr. John Tarrant has been promoted to technical director from works manager of UNIVERSAL PACKAGING, the Lonsdale Universal flexible packaging manufacturer in Guernsey, appointed joint managing director.

★

Lord Swansea states that he has not yet agreed to take up an appointment as a director and *deputy chairman* of WELSH MEAT HOLDINGS.

★

MANSFIELD BREWERY COMPANY announces the appointment of Mr. V. M. Phillips as company secretary from January 1 on the retirement of Mr. Frederick A. Gleadell.

★

At the IMPERIAL LIFE *ASSURANCE COMPANY OF* CANADA Mr. R. H. A. Wain becomes assistant general manager *for Great Britain* from January 1.

★

Mr. L. Hazelgrove has been appointed European marketing manager for NATIONAL SEMICONDUCTOR computer products group Europe. He is responsible for both OEM sales of IBM—compatible products and European headquarters product marketing. *He joined* National Semiconductor from Data General.

★

Mr. Jeremy Briggs has become managing director of Hattersley Heaton, a new company formed *to manufacture and market* exclusively the Pegler Hattersley Group's cast and forged steel valves to the oil and petrochemical industry. Mr. Briggs was previously manufacturing director of sister company, Hattersley Newman Hender. His management team comprises Mr. Neil Howard who becomes engineering director, Mr. M. Humphries, who is appointed finance and administration director; Mr. R. Sedgwick who becomes sales director and Mr. Brian Smith who is appointed manufacturing director.

★

Mr. C. P. J. Van der Waals and Mr. W. B. Wright have been appointed directors of FRAMES TOURS. Mr. J. B. H. Coupland has been appointed chairman of *FRAMES TRAVEL (GATWICK)*, and Mr. A. G. Heron, Mr. D. O. G. Lovell, Mr. A. W. Saunders and Mr. Van der Waals have been appointed directors.

★

DUNBEE COMBEX MARX announces that Mr. A. Naughton, who has been the managing director of DCM's Australian subsidiary—Lidrana Pty.—is returning to the UK as managing director of COMBEX from January 1. Mr. Alex Mair, currently the sales director of Jean Sorelle, has been appointed deputy managing director of that *company* from January 1, 1979. Mr. Ralph Stevens will oversee the operation of the two companies *and will also control, via* Combex, the marketing and distribution of the Russian produced items, contracted by *Novo* Toys.

Changes at Barclays Bank International

Three senior directors of BARCLAYS BANK INTERNATIONAL, Mr. Harry F. Oppenheimer, Mr. Arthur S. Aiken and Lord Seebohm, will retire at the annual meeting in February having all reached the age of 70 at about the same time. Following the decision to separate the offices of chairman of the Barclay's Group and of Barclays Bank International Mr. Anthony F. Tuke, the group chairman, will hand over chairmanship of the international *bank at the annual meeting to* Mr. Henry Lambert, a vice-chairman of Barclays Bank and a director of *Barclays Bank International.* Mr. Tuke will thereafter continue as a director of the international bank.

★

Mr. J. R. Davidson has been appointed director and general manager of the manufacturing division of G. E. A. AIR-EXCHANGERS, Bangor, Northern Ireland. He comes from Robert Jenkins and Co., Rotherham, where he was director and general manager.

★

Mr. A. Barrett has been appointed senior local director at BARCLAY BANK'S Luton local head office and a director of Barclays Bank UK management.

★

Mr. Roger Gates, *currently* chief engineer, and Mr. Christopher Senior, currently co-*ordinator of overseas operations*, have been appointed to the Board of the RUGBY PORTLAND CEMENT COMPANY, *from* January 1.

★

Mr. John Brandon has been made managing director of TERRAPIN RESKA, the library *product provision and installa*tion subsidiary of the Terrapin International Group. Mr. Athol Lonie, *managing director of the* division since 1971, is relinquishing the position to concentrate *on group main Board duties*, but will remain chairman.

★

CHARLES CLIFFORD INDUSTRIES announces that Mr. Basil Ancott has been appointed a director *following the resigna*tion of Mr. Derek Jones.

★

Derek Crouch has announced the formation of a new company —DEREK CROUCH (CONTRACTORS)—to deal with its mining and civil engineering operations in the north-east of England and in South Wales. Chairman of the new company, which comes into *being on January 1, will be Mr.* John L. Dunn, who is chief executive of Derek Crouch (the holding company for the Group). Managing director will be Mr. H. S. Lister and the other directors, Mr. S. Exelby, Mr. Edwin Wild and Mr. Albert Thew. Mr. Edmund Graham has been named company secretary.

★

Mr. J. Keith Sadler has been appointed managing director of JOHN JAMES HAWLEY (*SPECIALITY WORKS*), manufacturers of frame tents, camping equipment, garden furniture and saddlery products under the brand name of "Lichfield."

★

Following the acquisition by Dobson Park Industries of a stake in the equity of an American company, WESTERN STAMPING, of Jackson, Michigan, it has been *announced* that Mr. Geoffrey J. Chilbett (a Dobson Park main board member) has been *appointed chairman of* the board of the new company and that Mr. Peter Crook (managing *director of Byron International*) has been appointed executive vice-president.

★

The Secretary of State for the Environment, and the Secretaries of State for Scotland and Wales, have appointed Mr. Idwal Symonds and Mr. John Edmonds, to be members of the board of the NATIONAL BUILDING AGENCY.

★

Mr. Robert J. Jones has been appointed *co-ordinator — conservation projects*, in the marketing division of BRITISH GAS. *He has been involved in energy* conservation activities with the Department of Energy, the *Advisory Council for Energy Con*servation and the Royal Institute of British Architects.

★

Dr. Norman Welsh, director of research and development at Gillette's Reading technical establishment, has been appointed a director of GILLETTE INDUSTRIES.

★

Chairman of THE BOOTS COMPANY Dr. Gordon Hobday has been appointed Chancellor of Nottingham University.

★

Mr. F. Crisp, since 1974 manager of the Lyons branch of INTERNATIONAL WESTMINSTER BANK, a wholly-owned subsidiary of National Westminster Bank, has been appointed Natwest's Moscow representative. He *succeeds* Mr. W. Creswell, who is returning to the UK.

★

Mr. Neville Taylor, director of information at the Department of Environment since 1974, has been appointed director of information at the DEPARTMENT OF HEALTH AND SOCIAL SECURITY. He succeeds Mr. John Groves, the newly appointed director general of the Central Office of Information.

★

Mr. Derek Coulson has been appointed managing director of GOWRINGS — LEISURE, the Maidenhead-based division of the Gowring Group.

★

Mr. William H. Adamson has become assistant director (operations) for the MANCHESTER INTERNATIONAL AIRPORT AUTHORITY.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Freddie Mansfield

Mr. Angus Murray—brought in to put Fairey back on its feet.

Fairey's safe haven under the NEB promises to pay off

BY HAZEL DUFFY

JUST over a year ago, the National Enterprise Board made one of its most controversial moves when, right under the nose of Trafalgar House, it bid for the engineering companies in the Fairey group, whose aircraft division had just collapsed, throwing the whole concern into receivership.

Critics in the Conservative Party and the thwarted Trafalgar House challenged the logic of pouring public money into an acquisition which the private sector wanted, while those who believed that the NEB has some strategic role to fulfill in industry were at a loss to explain this one.

A year later, Fairey Holdings, as it was renamed, has done nothing visibly to demonstrate that it was an essential NEB buy. It has been in the news mainly for closing Tress Engineering, a subsidiary in the North East, thus confirming the views of those who complain that the NEB is a far cry from the socialist principles that gave it birth.

In the first half of the year, it was not even particularly profitable. As a result of the closure of Tress—which made valves and gauges—it had to make a £2.2m provision before its interim profit was struck; thus it was substantially less than the £3.2m before tax erroneously referred to recently by Mr. Gerald Kaufman, the Minister of State for Industry.

Freedom

At this point, the question might well be asked why the NEB was so keen to pay £20.5m for an assortment of engineering companies which had almost nothing in common apart from their name. The fact that Fairey has been given a freedom by the NEB very much akin to having private shareholders will strengthen the view of those other critics of the NEB who say that it does nothing that the private sector cannot do equally well.

But the plans the board of Fairey Holdings have for the group suggest that—if they come off—there may well have been some rationale in the NEB's purchase; and not least in that it will be in possession of a thriving engineering concern.

Fairey needed a breathing space. The problems of the group's aircraft division, which finally brought about the collapse of the whole group, had denied the engineering companies both the direction and the finance which they needed to expand, and in some cases to survive.

The NEB appointed Mr. Angus Murray, who had helped to turn round the Redman Heenan organisation, to be chairman of Fairey. He was joined in the late summer by Mr. Kenneth Bacon, also an outside appointment, as chief executive. New board members have been appointed by Mr. Murray, with a bias in favour of non-executive directors with experience in engineering or in Fairey's customer industries.

The NEB asks Fairey to submit monthly accounts, which are incorporated into the NEB's accounts, and are used as a basis of liaison between Fairey and the NEB. It also asks for a forward profit plan, and a corporate plan, the first of which has just been submitted.

These requirements apart, the Fairey management has been left largely to get on with the job. The memorandum of understanding between Fairey and the NEB requires that "significant" acquisitions and disposals be discussed with the NEB, and Mr. Murray decided from the start to cut out the "significant" and consult whatever the size. His theory is that as long as he does not spring any surprises on the NEB, there is unlikely to be any friction.

The best example of Fairey deciding its own course was over Tress, where over 300 jobs had to go in an area of high unemployment. The closure proposal was submitted by the Board of Fairey, and it took about a month for the NEB to give its backing. Considering that Mr. Hugh Scanlon, whose AUEW was the union most affected, is one of four trade unionists on the Board of the NEB, there could hardly be a better demonstration that Fairey is being run on normal commercial lines.

Constraint

If there is a constraint in having the NEB as your shareholder, Mr. Murray says it is that the companies are much more in the political glare. In the last year, the factories have been inundated with official visits, including those by the Prime Minister, the Industry Secretary and an Industry Minister. Whatever move Fairey decides to make, it will attract political attention which would never have been encountered in the private sector.

But there has been no sign of any NEB pressure on Fairey to rescue ailing companies, or to behave in any different way from a company in the private sector. As well as closing Tress, Fairey Holdings recently sold a marina on the River Hamble to a Dutch company for about £1¼m, and the sale of other interests peripheral to the main body of the group can be expected in due course.

The group's strengths are in the areas of hydraulics, which grew out of the old Fairey aircraft activities, and filtration equipment, which sprang from hydraulics. Fairey Hydraulics has been a supplier to almost every European aircraft project, and has high hopes of getting orders for the new Boeing 757 project. This could mean orders worth anything between £500,000 and £5m a year.

As with the aerospace industry itself, the way ahead for aircraft components lies in larger companies—both through acquisition and collaboration. Both means to growth are being planned by Fairey. Fairey Holdings has almost no borrowings at present, but if it is to make sizeable acquisitions, it is clearly going to need some. The Board is awaiting guidance from the NEB on the sort of gearing ratio it ought to have. It is likely to borrow from banks or the NEB—the banks' rates make them marginally the favourite.

Mr. Murray emphasises that acquisitions will not be made for their own sake, "but where Fairey already has a technological lead, they can be expected."

Fairey Filtration, which supplies filtration equipment to industry, is particularly successful and is seen as probably the most promising growth area, and also a base for acquisitions. Like hydraulics, it achieves a high per centage of exports. But Fairey is looking for overseas manufacturing facilities as well, with the U.S. high on the list.

Fairey Engineering, based at Stockport, continues to be the group's main breadwinner. Its activities are divided between military products, where it is best known for its medium girder bridges, and nuclear engineering. Both of these areas are doing reasonably well, but Mr. Murray does not see either as a growth market. He is concerned therefore to add a completely new activity to Fairey Engineering to ensure its future, which must mean an acquisition.

Fairey Holdings' cash requirements in the near future will not be limited to acquisitions. The aviation interests of the old Fairey group did not crash suddenly. They had been siphoning off money from the engineering division for quite a long time. Mr. Murray believes that knowledge of this fact was the main reason why the group's employees did not object to the Tress closure — apart from those at Tress itself — because they had no wish to see their companies pouring cash into Newcastle in the way that had already happened in Belgium, where the aircraft factories were located.

There is a definite need to catch up on the backlog of capital investment if the group is to maintain its solid reputation in engineering. Although that reputation received something of a dent with the build-up of the early AGR nuclear power stations, Mr. Murray says the problems that were encountered were not of Fairey's making. He is hopeful that Fairey Nuclear will get contracts on the two new AGRs to be announced before long.

The NEB had to move quickly over the past year in order to keep up Fairey's reputation. Buying companies from a receiver, even if it was not those companies which landed the group into that position, means that the new owner has to act fast to maintain confidence. On this score, certainly, the NEB has done well as any alternative purchaser.

The NEB's guidelines on Fairey's return of assets require that it should be in "the upper quartile of quoted engineering companies." It is unclear what that means in terms of actual figures but with the closure of the Tress lossmaker, Mr. Bacon says all parts of the group are making returns of between 20 and 40 per cent, depending on the company (Fairey Filtration, for example, would be at the upper end). This compares with guidelines laid down by Parliament for the NEB as a whole of a 15-20 per cent return, excluding its inherited problem companies, and the 10 per cent achieved by the Enterprise Board in the first half of this year.

It is impossible to predict what would have happened if Fairey had been sold to Trafalgar House last year: it was only that group and the NEB which were prepared to buy up all the companies. All the other bids —and there were around 150— were for various parts.

What the Fairey group has gained from one year under the NEB is the time and encouragement to develop its strengths, while being allowed to hive off or close down those parts which were not central to its goal. From the NEB's point of view, it has gained a stake in a specialised engineering area. But perhaps more to the point, at the current rate of return, it will have recouped its outlay in roughly three years' time. Having supplied a safe haven for Fairey, it might then do well to think of floating off some or all of it at a tidy profit to the taxpayer.

The credit brouhaha —a case of small beer to some

REAL ALE buffs may be pleased to hear that Adnams, Shepherd Neame and Youngs are getting better at it. They may however raise their eyebrows when they learn that Ruddles is getting worse, but afford themselves a smile when they hear that, the prime opponent of yore, Watney's is also getting worse.

But before these beer bibbers return to the bar with their prejudices reinforced they should be warned this is not a matter of finings or hops, or of top pressure and kegs. It is the less esoteric but nevertheless thorny problem of credit control.

According to a survey published this week, some of the small brewers are showing a notable ability to cut the number of days credit they give their customers.

While a number of the smaller brewers are improving their credit control, the big brewers appear not to have been able to make the same gains. There has been no change in the number of days credit outstanding among such big names as Allied, Bass Charrington, Courage and Whitbread over the last three years according to a study by Asset Control, a new cash management consultancy, which was launched yesterday.

But there were some quite major extensions of credit time offered by Watney (West London) and Scottish and Newcastle.

This is not a definitive guide to the efficiency of the cash management of these brewers but in part reflects the different nature of their trade. The small brewers generally have shorter credit times because they have a higher percentage of managed houses, which is a cash business.

On the other hand, the big brewers have a higher element of non-cash business; tied houses and free trade. And it is because some of the brewers have been trying to increase free trade sales (free houses, off licences and supermarkets) that their credit times have lengthened, according to Michael Bird, managing partner of Asset Control.

The average length of credit for the brewing industry is 38 days, according to the study, which compares favourably with an average for all manufacturing industry of 62 days. Of the other manufacturing or process industries surveyed by Asset Control, footwear had the shortest average length of credit —27 days—and at the long end were electronic instruments (average 97 days) and electronics (100 days). Worst of all were pump manufacturers (104 days).

One of the laxest sectors is the engineering industry, which is, on average, granting 92 days credit to its customers. "The figures improved slightly last year after the disastrous experiences of 1974-75," notes the survey, "but all the evidence shows that it is far behind the rest of British industry."

The survey calculates that as the 600 engineering companies which it surveyed had a total turnover of £2,738m, a reduction of just one day's credit would give them a once-and-for-all cash payment of £7.5m.

Extending this argument, Asset Control goes on to say that if the engineering industry as a whole could reduce its credit times by 30 days, to what is now the average manufacturing length of 62, it would benefit by a saving of £290m, plus an extra £39m in reduced interest charges.

These figures, based on interest charges of 1 per cent over base rate are approximate, says Asset Control, because the survey was based on gross figures. "it proved impossible to extract cash and export sales from each company involved." There should be a large caveat on the amounts which Asset Control says the engineering industry can save, because it assumes that while it may be getting strict with its debtors its creditors are also not getting tough — inevitable within such an industry where there is considerable inter-trading.

As an example of what can be achieved, Asset Control explain that ICI reduced the length of credit to its UK customers by 10 days in order to increase working capital to finance stocks and debtors. "By reducing the trading terms they estimated they would be releasing at least £25m," notes Asset Control.

The consultants emphasise the need for efficiency in the accounting system and wryly note that while all systems are prone to "slippage," accounting ones seem more liable than most. In addition it warns that it is a godsend to a company to be incorrectly invoiced as it then has reason to delay payments by many weeks.

As for offering discounts for prompt payment, Asset Controls Survey found that most companies took it whether or not it had been earned, and that it was too much trouble to reclaim.

Jason Crisp

LOMBARD

Lies, damn'd lies and forecasts

BY SAMUEL BRITTAN

"IF THEY can really forecast share prices or exchange rates, or whatever it is, how comes they are having to sell their forecasts for a living?" The question is only half fair. But the usual complex answer only half satisfactory; and it is impossible to dismiss an analysis of the actual success of exchange rate forecasts on the first half of 1978 in the December issue of Euromoney by Mr. Stephen H. Goodman, the director of treasury planning at the Singer Company.

The conclusion is given away in the title "No Better than the Toss of a Coin," but it is worth investigating further. Exchange rate forecasting has mushroomed with the spread of "dirty floating" and Mr. Goodman estimates that 25 services are available. To begin with, he discarded those which were not governed by a "replicative formal model or decision rule" on the grounds that they merely reflected "the subjective judgment of a potentially changing group of individuals." This left 13 services, of which four dropped out because insufficient data were available.

Methods

Of the remaining nine, some six used econometric or "number crunching" methods to provide a specific forecast. Evaluation is itself a controversial procedure partly because the alternative to using the forecast has to be specified. The first test was simply whether the exchange rate moved in the forecast direction or not. The average score for a three-monthly forecast was 50 per cent—equivalent to the coin toss. By comparison, use of the forward exchange rate would have been right some 58 per cent of the time.

Mr. Goodman also tested whether the actual rate predicted was nearer to the truth than the three months forward quotation: and the result was again 50 per cent of the time—in other words no better, no worse. He also has a more complex calculation of the "speculative return to capital at risk." This averaged 1.12 per cent compared with 2.86 per cent if one followed the forward market mechanically (in each case a certain simplifying assumption).

How about the three other forecasting services not yet discussed? These are described by the Singer treasurer as "relying on technically-oriented decision rules such as can be derived from momentum models—the chartist approach." These worked on a buy-or-sell basis rather than a specific forecast. They did very much better than either the economic forecasts or blind reliance on the forward market, providing in the period an average "speculative return on capital at risk" of between 7 and 10½ per cent.

This superior performance of the chartists fits in with some highbrow findings of the Bank of England economists (*Some Recent Evidence of Short Run Exchange Rate Behaviour*, by W. A. Allen and C. A. Enoch, Manchester School, December, 1978), based on sterling rather than the dollar, and on the year 1976. Their conclusion is that foreign exchange markets are not efficient in the sense of eliminating all theoretical possibilities of speculative profits.

As the Bank of England authors freely admit, the fact that forward exchange rates are imperfect forecasts of future spot rates does not mean that either central banks or private forecasters will do any better.

The correct hypothesis about market rates is not that they are always "correct" in some definable sense, but that it is very difficult to do better by any formal process. What would an intelligent guess be for the track record of forecasters having to earn a living in the markets? Surely it is that they would be on the margin of being helpful—with perhaps one or two doing better than the forward markets, but with no real confidence that the same one or two would continue to do better in future.

For if there were a conclusive tendency for an identifiable group of forecasters to outperform the market, financial operators would rush to obtain their forecasts and move market rates immediately in the direction indicated, with nothing further to go for. If on the other hand all the forecasters were indisputably useless they could hardly continue in business. Markets are made efficient in this limited sense partly by the activities of the analysts, without whom they would be more erratic and volatile than they are.

Now is the time to look to your cellars

WINE

BY EDMUND PENNING-ROWSELL

NOW is the time for all good wine men, and, of course, good wine women too (would that there were more of them!) to come to the aid of their cellars. The word "cellars" must be used metaphorically these days to indicate reserve stocks wherever held: below stairs, behind stairs, in the pantry or in merchants' cellars.

Certainly this is always a good time of year to examine one's stocks, not so much for Christmas and New Year occasions, no doubt already provided for, but because a year's consumption lies behind one, and in their autumn lists serious merchants will have introduced some new items. However, for those who like to have at least a modicum of fine vintage wines in their reserves, it is more than usually important now not to delay replenishment of stocks. For it is clear that next year wine prices are going to rise sharply; and many wines now on lists will soon be sold out.

This is not only because this has been something like a boom year for the wine trade in Britain—based partly, perhaps, on Neronic principles — and because inflation affects the Continental growers as it does us, but for special circumstances that have come together just now.

Inflation apart, the main reason for abrupt price increases is shortage of stocks in almost all the fine-wine producing areas, and in some of the more modest regions too. This deficiency has arisen owing to small or indifferent vintages, lack of cash and the high cost of keeping wine for any length of time.

Taking first the vintages, among the West European countries only Germany has produced several ample crops of quality in the last five years; and they only make about 10m hl in a good year, compared with France and Italy's 60-70m hl and even more. Portugal and Italy have had reduced crops for the past few years, including 1978. In France, after the mediocre '74 came the generally fine—save in Burgundy—'75, but the crop was small. Seventy-six was good everywhere, but '77 was qualitatively poor almost throughout, though prolific in Alsace, Champagne and Beaujolais. For 1978 the statistics are not yet available, but it is clear that generally in France it was a small crop, and in Champagne it has been catastrophically short—the smallest in the decade.

The merchants who buy from the growers lack stocks partly owing to the deficiency in quality and quantity of recent vintages, partly because of brisk trading in the last couple of years, and partly because they cannot finance the holding of stocks. So in order to keep in business they must accept the higher prices stipulated by growers, themselves afflicted by ever-rising costs. It is not surprising therefore that we hear suggestions of prices 30-40 per cent up in Portugal, 20 per cent up in Italy, 20-30 per cent up in Bordeaux, Champagne, Rhône and Alsace, and doubled prices in the Côte d'Or.

To take account of rising replacement costs, especially among vintage wines, many British merchants have already increased prices, as students of their autumn lists will have noted. In their next lists prices are likely to be higher still.

What, then, should we consumers buy now? First, there is no point in amassing large quantities of ordinary wines; their prices will not advance alarmingly and in any case they are not for keeping. It is among the vintage wines that price increases will be most felt, including quite modest French *appellation contrôlée* wines, and such Italians as Barolo and others that improve with age.

This year's poor vintage in Germany will have focused attention on earlier years still available. Most enthusiasts for German wines here will already have bought their '75s and 76s, but if not they should do so without delay. Nor for more ordinary drinking should they overlook the relatively inexpensive '77s from good estates.

Turning to France, still overwhelmingly our source of fine wines, there is no great point in buying ahead most of the Loire and Rhône wines, with the important exceptions of Hermitage and Côte Rôtie in the latter area. Not that an extra case or two of a reliable Crozes Hermitage or Châteauneuf-du-Pape would come amiss, for they are nearly all drunk too young.

Among clarets, the vintage to go for now is surely 1976, already listed by some merchants and likely to be more prominent shortly. The "classical" '75s have already become expensive, but certainly should be in every "cellar." Whether the '76s are as good remains to be seen, and it may be a long time before this becomes clear. Not everyone made good wine in 1976, for the vintage weather was irregular, but there is no doubt that some very drinkable wines will emerge, and those who buy early may well later congratulate themselves on their perspicacity in paying so little for them. (Whenever I consult my records of past purchases, I am nearly always full of mostly unjustified self-congratulation; one tends to overlook the inflation factor.)

Those short of stock now should consider the easy-to-drink '73s, and perhaps the '74s, but I still find them unyielding and severe. Among sweet white Bordeaux, it is yet possible to find '70s and '71s at reasonable prices, but probably not for long. The drier wines present fewer problems, though their prices are rising also after two very short vintages.

Owing to the lack of good red burgundy vintages between 1971 and 1976 — though there were some fine '72s — it is not easy to find suitable wines. The '73s are usually very light and often over-sweetened, few '74s are attractive, and the '75s were indifferent; but those without stocks of '69s and '71s must look to these years until the '76s are offered. They will certainly seem expensive, until the much dearer '78s are available. Burgundy drinkers must certainly buy the '76s. Some have already appeared here. Among the white burgundies, the vintages to buy are '74, '75 (variable, but good in Chablis) and '76.

Those who find the price going rather heavy in Burgundy should consider the finer Rhônes. The best vintage since 1972 was 1976, but there were some attractive '75s, and even agreeable '74s in Hermitage.

Finally, for those who at least occasionally drink champagne, now is really the moment to buy a little ahead; and this includes non-vintage as well as vintage. It is sometimes thought that N.V. champagne needs prompt drinking. On the contrary, any really good brand will benefit greatly from several years' bottle-age. Just before the last big rise in champagne prices early in 1973 I bought some non-vintage Alfred Gratien for a few pence under £22 a case. Nearly six years later the remaining bottles, now with added body and fruity, are drinking deliciously—one instance, perhaps, of foresight permitting a modest amount of self-congratulation!

Serpent Prince for Whitelaw

RACING

BY DOMINIC WIGAN

SERPENT PRINCE, a chestnut gelding by Prince Hansel, looks to be the answer to today's feature event at Folkestone, the three miles Whitelaw Gold Cup. The Josh Gifford-trained seven-year-old jumped better than any of his rivals when third behind Sweet Joe in the Sun Alliance Chase at Cheltenham's Festival Meeting, where he finished a neck in front of stable mate, Modesty Forbids. He put up another fine performance last term when giving Bredger and seven others a great deal of weight and a decisive beating in a two-and-a-half-mile handicap at Kempton.

On his only appearance this season, Serpent Prince did well to keep the much improved and considerably fitter Carrigeen Hill company until the final fence in Ascot's two-and-a-half mile Embassy Premier Chase qualifier on November 1. Sure to be ideally suited by the additional half-mile and easier underfoot conditions here, Serpent Prince can gain a deserved success.

Havanus, a powerfully made son of Indiana's Belmont Stakes winning half brother, Cavan, also did well last term in his first season over fences; winding up the campaign by beating Dawlish, albeit narrowly, in Sandown's Beech Open Novices Chase. Reported to be fit and in extremely good heart for this, his first outing of the season. Havanus may well bustle up the Findon seven-year-old from whom he receives 2 lb.

An hour later, I shall not be looking further than Heidelberg for the winner of the Aldington Novices Chase over two miles and three furlongs.

The King George VI Chase at Kempton, almost always the most intriguing event of the Christmas holiday, seems likely to prove a drab affair this year. Grand Canyon is "virtually certain to miss the race" according to Derek Kent, who will run The Champ instead, while two other stars who will be missing are last year's winner, Bachelor's Hall and the Gold Cup winner and favourite for next year, Midnight Court.

The plans of Peter Cundell for a second Kempton win for Bachelor's Hall have been ruined by the gelding's developing heat in his off fore, after an unfortunate landing at the second from last fence at Cheltenham; while Midnight Court, undefeated in seven starts, last season, remains out of action through heat in a leg.

FOLKESTONE

12.45—Tower Moss
1.15—Bold Gerard
1.45—Serpent Prince**
2.15—Tompion
2.45—Heidelberg***
3.15—Blue Braes*

TV/Radio

† Indicates programme in black and white.

BBC 1

12.45 pm Midday News. 1.00 Pebble Mill. 1.45 How Do You Do? 3.20 Pobol Y Cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Deputy Dawg. 4.25 Jackanory. 4.40 Screen Writing Competition. 4.40 Screen Test. 5.05 John Craven's Newsround. 5.10 Jackanory Playhouse.
5.40 Evening News.
5.55 Nationwide (London and South-East).
6.50 Nationwide.
7.20 James Burke's Connections.
8.10 Dallas.
9.00 Nine O'clock News.
9.25 Thank You Comrades by Jim Hawkins. Based on real events in Russia and America.
10.25 Sportsnight Special.
11.10 Weather/Regional News.

All Regional programmes as BBC-1 except at the following times:—

Wales—5.55 pm Wales Today. 6.50 Heddiw. 7.10 Pobol Y Cym. 7.40 It Ain't Half Hot Mum. 11.50 News and Weather for Wales.

Scotland—5.55 pm Reporting Scotland. 6.50-7.20 Songs of Scotland: Film journey from Aberdeen to the Clyde. 11.10 Tuesday Night. 11.50 News and Weather for Scotland.

Northern Ireland—3.53 Northern Ireland News. 5.55 Scene Around Six. 6.50 As I Roved Out. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich): Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.50-7.20 East (Norwich) Spot On! London and South East The Osmonds; Midlands (Birmingham) A Worcestershire Carol; North (Leeds) Life-lines; North East (Newcastle) Tuesday North; North West (Manchester) Ken Dodd's Christmas Feast from Chester; South (Southampton) Hey Look . . . That's Me! South West (Plymouth) Peninsula: West (Bristol) Chinese Riddle, Cotswold Key.

BBC 2

11.00 am Play School.
†3.00 pm Propaganda with Facts.
7.00 The Mid-Evening News.
7.05 International Diving.
8.05 Mr. Lollipop, MA. Play by Rhydderch Jones.
9.00 B. Traven.
10.05 Man Alive.
10.55 Late News.
11.10 The Old Grey Whistle Test.

LONDON

9.30 am Dry Australia. 9.45 Spiderman. 10.10 Wild Canada. 11.05 Ruddigore. 12.00 pm Chorlton and the Wheelies. 12.10 Rainbow. 12.30 A Ripe Old Age. 1.00 News At One. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon. 2.25 Raffles. 3.20 Heart to Heart. 3.50 The Sullivans. 4.20 Get It Together. 4.45 Magpie.
5.15 Emmerdale Farm.
5.45 News.
6.00 Thames At 6.
6.25 Help!
6.35 Crossroads.
7.00 Botanic Man, with David Bellamy.
7.30 Carry On Matron.
9.00 Fallen Hero.
10.00 News At Ten.
10.30 Breaking Point.
11.15 Lou Grant in "Christmas."
12.10 am Christmas Pie: "Something To Shout About."

All ITV regions as London except at the following times:—

ANGLIA

9.30 am Canada: Five Portraits. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.25 pm Anglia News. 2.00 Houseparty. 6.00 About Anglia. 7.00 The Rolf Harris Show. 10.30 Auditions. 11.30 Westside Medical. 12.25 am So You're Lonely.

ATV

9.55 am Friends of Man. 10.20 Something Special. † 11.10 World Leaders: Roosevelt. 1.20 pm ATV Newsdesk. 3.55 The Electric Theatre Show. 5.15 Mr. and Mrs. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 Spinnolio. 7.40 Columbo. 11.30 Oscar Peterson Presents. 12.00 am Something Different.

BORDER

9.35 am Undersea Adventures of Captain Nemo. 9.40 Animated Classics. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. †1.20 pm Border News. 2.00 Houseparty. 6.00 Lookaround Tuesday. 6.25 Christmas Pie. 10.00 News and Border weather. 11.30 Ski-ing with Gina. 12.00 am Border News and weather.

GRAMPIAN

9.25 am First Thing. 9.30 Tandarra. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Grampian News. 5.15 Mr and Mrs. 6.00 Grampian Today. †6.10 Country Focus. 11.30 Power Without Glory. 12.25 am Reflections. 12.30 Grampian Late News.

GRANADA

9.30 am Tuesday Matinee. 10.55 Cartoon. 11.00 Flashback. 11.20 Paddy's House. 11.45 A Handful of Songs. 1.20 pm This Is Your Right. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 University Challenge. 11.30 Dan August.

HTV

9.35 am Beachcombers. 10.00 Dynomutt—the Dog Wonder. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 Sweet Sugar Doughnuts. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Botanic Man. 7.00 Three Little Words. 10.00 News followed by Report West Headlines. 11.30 Code R.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20 Goglis. 6.00 Y Dydd. 10.00 News followed by Report Wales Headlines. 10.30-11.30 Bywyd. 11.30 World in Action.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15 Report West.

SCOTTISH

9.30 am Diary of Civilisation. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. †1.25 pm News and weather. 5.15 Christmas Call. 5.20 Crossroads. †6.00 Scotland Today. †6.30 What's Your Problem? 7.00 Emmerdale Farm. 10.00 News and Scottish News. 11.15 Dean Friedman. 11.45 Pro-Celebrity Snooker.

SOUTHERN

9.30 am Animated Classics. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Southern News. 2.00 Houseparty. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 Charlie's Angels. 8.30 Bless Me Father. 11.15 Southern News Extra. 11.25 Pro-Celebrity Snooker. 12.10 am Weather followed by The Holly and the Ivy.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 9.30 Heritage. 10.25 Take a Bow. 10.50 Clue Club. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm North East News and Lookaround. 5.15 The Brady Bunch. 6.00 Northern Life. 7.00 Emmerdale Farm. 11.30 Emergency. 12.30 am Epilogue.

ULSTER

10.15 am The Herbs. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Lunchtime. 4.18 Ulster News. 5.15 Cartoon. 5.20 Crossroads. 6.00 Reports. 6.35 The Mary Tyler Moore Show. 7.00 Emmerdale Farm. 7.30 Feature Film: "Murder Under Glass."

WESTWARD

9.20 am Space 1999. 10.25 Take a Bow. 10.50 You Can Make It. 11.15 Lord Tramp. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News. 5.15 Mr. and Mrs. 6.00 Westward Diary. 7.00 Treasure Hunt. 10.28 Westward Late News. 11.30 Friends of Man. 12.00 am Faith for Life.

YORKSHIRE

9.30 am Friends of Man. 10.00 Tree Top Tales. 10.15 Mysterious Island. 11.10 Flying Jewels. 11.35 Tell Me Why. 1.20 pm Calendar News. 3.20 Calendar Tuesday. 5.15 You're Only Young Twice. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.15 Fireside Theatre.

BBC Radio New Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including new Top 40 discs and 12.30 pm Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 to 10.00 as Radio 2. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 10.00 pm With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News. 5.03 David Allan (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin. 8.45 Pause for Thought. 10.03 Jimmy Young (S) including 10.30 Cricket: Second Test. 12.15 pm Waggoners' Walk. 12.30 Harry Rowell's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 On The Third Beat (S). 7.30 Folk 78 (S) presents the Tannahill Weavers. 8.02 Tuesday Night Is Gala Night (S). 9.02 Among Your Souvenirs (S). 9.55 Sports Desk. 10.02 The Frankie Howerd Variety Show. 11.02 Brian Matthew introduces Round Midnight, including 12.00 Midnight News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

‡Medium Wave only

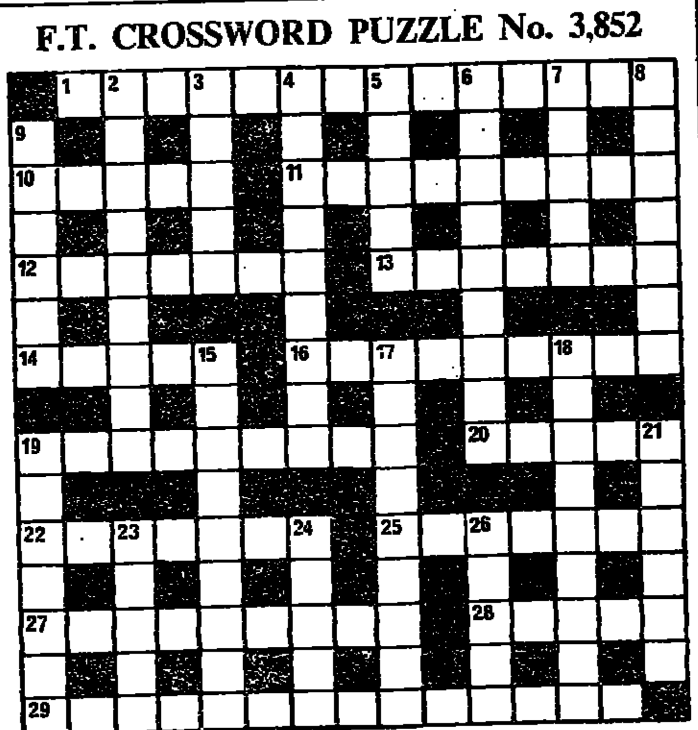
‡5.35-10.05 am Cricket: Second Test, Australia v England. 6.55 Weather. 7.00 News. 7.05 Overture (S) Elgar, Vivaldi, Chopin, Bax (mono). 8.00 News. 8.05 Morning Concert (S) Meillart, Mozart, Grieg, Ibert. 9.00 News. 9.05 This Week's Composer: Tchaikovsky (S). 10.05 Holiday Special (S) Atarah's Music Box. 10.25 The People's Oratorio: Handel's Messiah. 10.55 Dohnanyi (S). 12.00 pm BBC Welsh Symphony Orchestra (S) Concert (part 1): Britten, Mozart. 1.00 News. 1.05 The Arts Worldwide. 1.20 BBC Welsh SO (part 2): Mathias, Mozart. 2.05 Music at St George's, Bristol (S). Brahms, Debussy. 3.05 Christmas Choral Music (S) Concert (part 1). 4.05 Interval Reading. 4.10 Concert (part 2). 4.45 Paganini (S). 5.15 Jazz Today (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 Schnabel plays Beethoven. 7.30 Karl Bohm and the LSO Concert (part 1) Weber, Schubert (S). 8.10 The Italian University in Crisis: Talk by Jonathan Steinberg. 8.30 Karl Bohm and the LSO (part 2) Beethoven (S). 9.25 The Prelude: Residence in France. 9.55 Carlo Bergonzi: Recital of Italian songs (S). 10.40 The Contest of Love and Marriage. Talk by Laurence Lerner. 11.00 Czech Piano Music by Tomasek, Dvorak, Janacek (S). 11.45 News. 11.50 Tonight's Schubert Song (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today including 6.45 Prayer for the Day, 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines, 7.45 Thought for the Day. 8.45 Serial Reading. 9.00 News. 9.05 Tuesday Call: Exploring Outer Space. 10.00 News. 10.05 Local Time. 10.45 Morning Story. 11.00 Thirty-Minute Theatre: "The Bottle of the Booze." 11.30 Farm Chat. 11.45 Listen with Mother. 12.00 pm News. 12.02 You and Yours. 12.20 Desert Island Discs. 12.55 Weather. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Mistinguette, star of the French music hall. 3.35 No 37 to Greenland (play). 4.30 Announcements. 4.35 "The Thirty-Nine Steps." 5.00 PM. 5.50 Shipping forecast. 5.55 Weather. 6.00 Six O'clock News. 6.30 The 27-Year Itch (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 Our Care and Delight. 8.45 One Degree Over: Climate Modelling. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.25 Market Trends. 10.30 You've Got To Be Joking (S). 11.00 A Book at Bedtime: "The Enchanted Places." 11.15 Three Charades for Christmas. 11.30 The Unforgettables. 12.00 am News. 12.15 Shipping forecast.

VHF—6.00 am With II. 6.30 With II. 6.50 Regional News. 6.55 With II. 7.50 Regional News. 7.55 With II. 12.55 pm Regional News (except London and SE). 1.00 Study on 4: "Digamo" Supplemento.

F.T. CROSSWORD PUZZLE No. 3,852



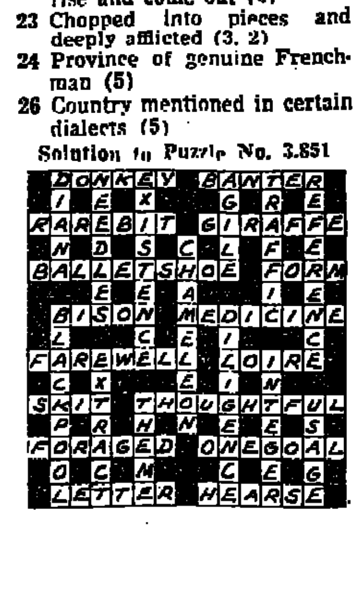
ACROSS

1 Inn and what it may sell to English drinker initially, being interested in the community (6, 8)
10 Grey like bird may be (5)
11 Wherein one may work and walk continuously but get nowhere (9)
12 Religious person left ghastly original settler (7)
13 Telephone wrongly etc., using peculiar speech (7)
14 One more insignificant film actor (5)
16 Old soldier with one shot at front, was 19 across (9)
19 Strait-laced and put in car I mended (9)
20 Plunge round head of river and impel (5)
22 Match the devil! (7)
25 Doctor returning in snow on television is disgusting (7)
27 Pressure-cooker from car left in cavern (9)
28 Upset dingy and could be perishing (5)
29 Former fairy people agree on a trial basis (14)

DOWN

2 In revolt on gun-carrier but may recover (9)
3 Row right for a large ship (5)
4 Spiteful woman a mother managed in a boat (9)
5 Carry on a lawsuit involving soft metal (5)
6 Caught in the very act, having no black cards (3-6)
7 Counterpart with eastern coil (5)
8 Did admit stringed instrument could be made thinner (7)
9 Specimen provided by politician in auction (6)
15 Trick right for a mechanic (9)
17 Indifference of a French company (9)
18 Leading article I tailored badly (9)
19 Dined under tree having lobes projecting from one centre (7)
21 For example, the engineers rise and come out (6)
23 Chopped into pieces and deeply afflicted (3, 2)
24 Province of genuine Frenchman (5)
26 Country mentioned in certain dialects (5)

Solution to Puzzle No. 3,851



هكذا من الأصل

Serpentine Gallery/Knoedler Gallery

Two sculptors—Flanagan and Caro

by WILLIAM PACKER

It has become in recent years a commonplace of art world conversation, no matter what else may now be said of our painting, or even our music, theatre and literature, that we are at least a nation of sculptors; and certainly enough artists within the last two or three generations have acted upon the remark with an attractive and comforting plausibility. Two of the most interesting and actually influential of them are currently showing in London, artists markedly different each to the other in temperament, preoccupation, and the method and nature of the work, and yet whose histories cross, and who, in the event, prove to be curiously complementary.

Both of them have been closely associated with the St. Martin's School of Art in the Charing Cross Road, most particularly Anthony Caro, around whose energetic teaching and practical example developed a sculpture school of lasting significance. But by the time Barry Flanagan arrived there, as a student, in the middle sixties, Caro was on the point of leaving, the school itself after ten years or so of excitement hardening into an academy. And Flanagan found himself reacting against all that St. Martin's had come to stand for, the hefty materials, industrial methods, bright colours, the open plan, and above all the Tuf-booted seriousness of it all.

The path for him of truth to material took quite another direction, inclining towards the simplicity and directness of the objet trouvé on the one hand, and to the delicate, ironical, surrealistic intervention on the other: and, as we can see from the evidence of his retrospective exhibition, now at the Serpentine (until January 7), he turned out to be ingenious, or perhaps it is devious enough to encompass them both. His early work was installed quite as much as it was made, rope and hessian and sand, and canvas sand-filled tubes, poles and bags, heaped, folded, trailed about in a disarmingly, disconcertingly off-hand way, he very much the metteur-en-scène. And of course it all caused a certain amount of pain, for too many of his fellows, home from a hard day with the arc welder, it seemed unacceptably flippant, unserious, easy: to the general public it seemed hardly to be art at all, and all the more infuriating so. Flanagan's work has suffered seriously in the past from direct action, most notoriously at the hands of philistine under-graduates in Cambridge in 1972, for nothing infuriates the man in the street so much as the thought that he may have missed the point.

Flanagan has always been something of a tease, which is both his great strength and a weakness, a limitation; for irony and wit properly deployed can cut through to the truth with wonderful economy: used carelessly or too much they lose their edge. Looking back, much of his work at around the turn of the decade does seem limited, and not a little dated, limited in fact not only by its self-conscious variety of image, material and scale, but more by its anxious, unfailing cleverness, its desire to stimulate and amuse.

Those floppy towers, though still engaging, are tireder now, and not in the least outrageous. Only an occasional piece, a small heap or pile from 1968 or thereabouts, the Pile that the Tate owns, for example, a stark presentation of four variegated hessian blankets folded neatly one on top of another, just as they might be on a recruit's bed, and exactly as they were collected in fact from Russell and Chapple, the canvas merchants, retain their old subversive impact and sense of mischief.

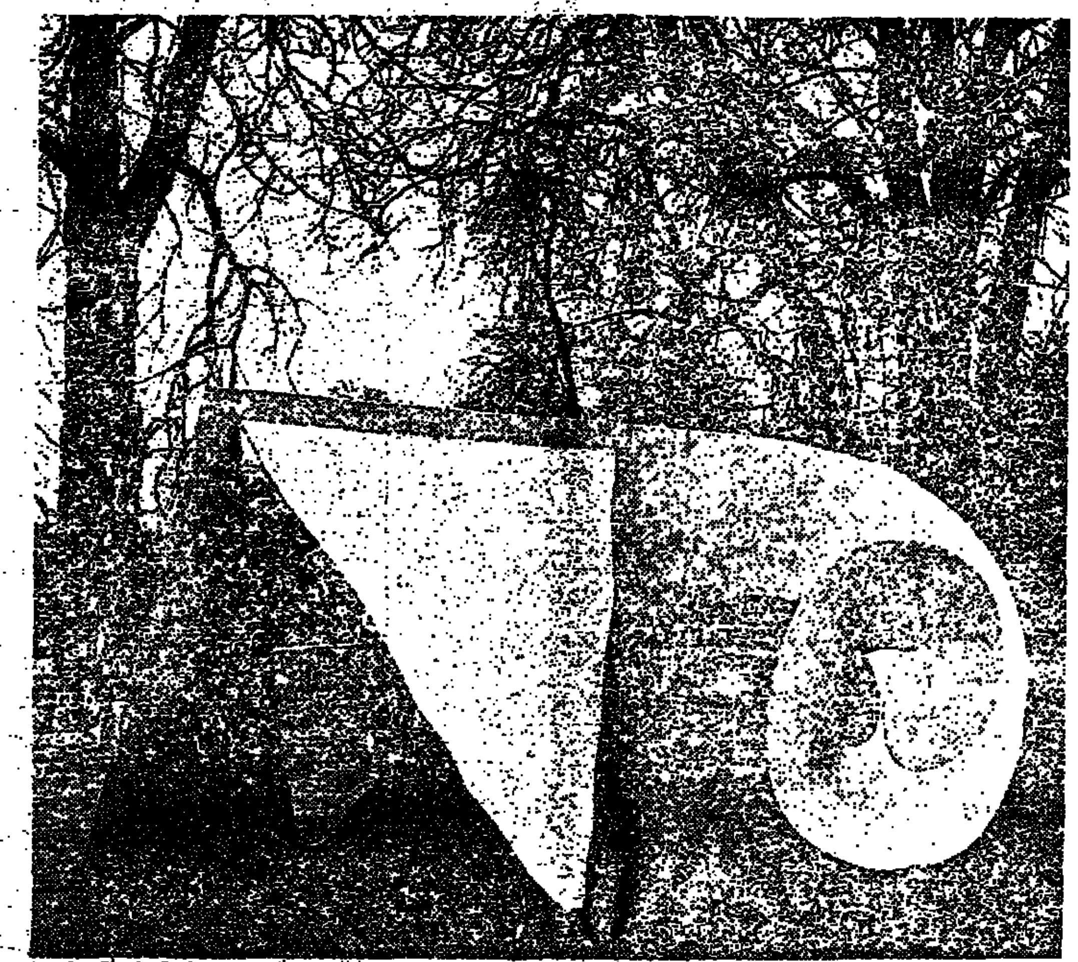
But Flanagan has continued to mature as an artist, and through the seventies, while remaining as informed as ever by the lightness of his touch, and his wry sensibility and wit, his work has grown ever more straight-forward, unaffectedly matter-of-fact, positively traditional. The jokes are still there, the puns on substance and image, the gentle nudges and suggestions towards other references than the mere matter of the work itself, but they are now less emphatic, more missable and ambiguous, and thus more rewarding. Jack Horner continues to pull out the plums, but has given up the self-congratulation.

Flanagan's particular gift is to take his material, man-made or natural, and by touching it, modifying it sometimes only marginally, making it his own. It becomes almost a ritual act of signification, an Indian sign on a tree, an ancient trace scored deep into the stone, or a rolled ball of baked clay. Some of his most beautiful works, and the most powerful in their effect upon the imagination, are the small totems, cairns and offerings he made in just this way, discrete elements of clay and stone lumped together.

In his more recent work he continues to put distinct elements together in a particular relation, but he now insists more upon their separateness, putting things out and arranging them once more. And he has also been following through a single sculpturel ploy, turning two dimensions into three by the simple expedient of a cut, a transformation that might first have occurred to him while peeling an apple. Its largest demonstration sits happily on the grass outside, a strange metal beast among the trees.

Back in Bond Street, at Knoedler Kasmin (until December 23), Anthony Caro's most recent works, what he calls his Writing Pieces, they too evince this same sense of well-being matched to a natural delicacy and lightness of touch. They are all small, indeed well suited to the large white table-top on which they sit; and they are most impressive evidence of the artist's apparently effortless command of his medium, light-hearted exercises in virtuosity. He has thrown together junk and scrap from the studio floor, old tools, this and that, and in doing so has produced work that goes far beyond the mere technical, formal demonstration: for the odd thing is that such material is full of association and unexpected resonance, which combine to invest each new entity with a most lively and equivocal character, a private, untellable history.

And what they show so clearly, what we should have had the sense to see long ago, is that Caro, in spite of all the theorising and analysis, all the talk of schools and influences, is essentially an instinctive artist, who picks up the stuff he has to hand to see what comes of it. There is no formula, no programme, but simply the urge to touch, to mark and to make. This too causes pain and some confusion in the ranks, for disciples need their leader, and such panache and skill and hedonistic self-indulgence are very disconcerting. What can this work be about: what are the ideas behind it: what is it trying to say? Sculpture is a very serious business. Flanagan and Caro together, with considerable flair as well as skill and originality, give that dour heresy the lie: thank goodness.



New metal piece, 1978, by Barry Flanagan

Riverside Studios

Play Away

by WILLIAM PACKER

The excellent Riverside Studios' Christmas entertainment for children is "Play Away," lifted whole and in the flesh from Saturday afternoon television; and though it is neither pantomime nor children's play exactly but rather a whole-hearted, fast-moving variety show, it does indeed provide an admirable seasonal treat. The BBC admits to aiming the programme at a middling age-group, eight-to-twelve or so, and the show remains reasonably true to that audience, full of cracks and gags, awful puns and dire jokes, every one of them gleefully excruciating; and the child needs a sharp ear, and even sharper play-ground wit, who is to catch them all. The noise and excitement generated by the theatrical performance is indeed a very loud and far cry from the intimate attention available at the television-side.

This show, however, to its great credit, while remaining irrepressibly itself, uncompromised, also accepts the facts of its translation and supplies something for everyone. The matinee audience I joined was predominantly very young indeed, some of it well under school age, and yet, though the jokes were a shade sophisticated, the pace of the performance, the enthusiasm of the company and the happy simplicity of the sketches and slapstick together kept attention and participation unflagging throughout. "Life is Butter, Melon, Cauliflower," as one very small boy declaimed rather than sang as his part in the general round-song.

Brian Cant heads the breathless four-man company, marvellously outrageous as schoolboy, rock star and Brian's auntie from Ipswich; and the others, Tony Robinson and the two girls, Anita Dobson and Julie Stevens, are each just as good, belting out the songs, stoically enduring riddle and trick, racing from quick change to quick change, school-girl, cow-girl, Martian. Jonathan Cohen and the band sustain it all with great calm, an ocean of sanity in an oasis of madness.

At the interval the audience was very seriously instructed by Mr. Robinson to write a long essay on "What I enjoyed most about my visit to Riverside Studios": well, I laughed a lot.

Brian Cant

Beverly Sills to head New York City Opera

Beverly Sills, America's most famous living soprano, has been named director of the New York City Opera to replace Julius Rudel, director since 1957 and the man who guided her to stardom.

Miss Sills' appointment is believed to be the first time since the early 20th century that a singer has become head of a major American opera.

Wigmore Hall

El Cuarteto Español

by ARTHUR JACOBS

With a quartet by Villa-Lobos, the last of the scheduled items on their programme, Sunday's Spanish visitors made something memorable of their London debut. Formed over a decade ago from leading players of Spain's Radio/Television Orchestra, El Cuarteto Español has made repeated appearances in South America and its members have evidently mastered the piquant, lively idiom of Brazil's celebrated composer.

Fertile though Villa-Lobos was, I doubt if this quartet (played from manuscript) was really his seventeenth, as stated. But whatever the number, some British group should grab it at once. The sinewy and singing qualities of its four movements were brought out with subtlety and strength by these Spanish performers. The finely graded range of tone and expressiveness was notable.

In the more strictly classical reaches of the string quartet's repertory, the performances were less happy. First came the Quartet no. 1 by Arriaga, the gifted Spaniard who died in 1826 before reaching the age of 20; then Mendelssohn's in E flat, opus 12. The impression here was of a dull style of playing, with the leader (Hermes Kriales) fallible in intonation and the cellist (Enrique Correa) not always providing a sufficiently firm bass-line. The younger members of the quartet (Joan Lluis Jorda, violin, and Emilio Mateu, viola) showed up more attractively.

The inclusion in the programme of Debussy's *Danse sacrée et danse profane* was little more than an excuse to welcome the justly popular Spanish harpist resident in London, Marisa Robles. Even with some thoughtful re-scoring to make up for the missing double-bass line, this performance with string quartet could not be other than an apology for the correct version with string orchestra.

After the Villa-Lobos, as an encore to end the evening came another specialised and convincing item—*La Oración del Torero* by Turina, one of the few Spanish contributions to the regular repertory of quartets. I have never spotted anything of the bullfighter in it, or anything of prayer, but a performance so assured and so nervously alive brought its own purely musical satisfaction.

ICA

Singcircle

by NICHOLAS KENYON

When is speaking singing? And what's the distinction between human and artificial sound? All five works in Sunday afternoon's stimulating contribution by the four singers of Singcircle to the current *musICA* series explored answers to one or other of these questions. Bill Martin's *A memory of the players in a mirror at midnight* was a straightforward interweaving of spoken and sung words, the inflections of the former creating the outlines of the latter; Joyce's text proved ideal for the treatment, though the dissolves sounded over-clear and the development of the idea lacked force. Kevin Jones' *Text years* was entirely built from dislocated phrases and syllables, reassembled and developed with taut imagination—again, complexity succeeded more than simplicity, and just avoided the piece's tendency to sound like a *Geographical Fugue* of the '70s.

Less impressive for their cogency, but equally neat in their individual premises, were Simon Desorgher's *Uproar* (which was no such thing, but a rather twee collection of imitation-electronic vocal sounds which became violent and then subsided) and Gregory Rose's *It's a Flash* (which did justify its title in an attractive series of sudden events over long-sustained lines; a diverting but diffuse conversation in noise).

Most imaginative of all, however, was Simon Emmerson's *Ophelia's Dream I*. Created with an ear for drama as well as for pure sound, it placed a soprano within a nest of microphones. Her angular, stuttering meditations enveloped us from the four corners of the theatre, while three onlookers commentated tersely, in simple chords, on her distress. A pity that, towards its close, this piece turned into a virtuoso demonstration of voices and time-delay systems sounding like synthesisers. One sensed in more than one of these pieces a didactic attempt to close the gap between vocal and electronic music, to prove that humans can make quasi-electronic noises. Why? Highly professional performances of this professionally put-together set of works from Singcircle under Gregory Rose, with Simon Emmerson manipulating some unusually efficient sound equipment.

Roundhouse Downstairs

The Sadistas

by ANTONY THORNCROFT

This more sophisticated version of the Sadista Sisters have taken up residence Downstairs at the Round House last weekend and next. It is very much the mixture as before, three actresses backed by an almost all girl rock bank taking a view of life which blends the feminine with the subversive with the surreal. On the last occasion I saw the Sadistas I thought the material needed tighter editing and the production a firmer control. There has been some improvement, but the naive and the embarrassing still come up against the witty and the perceptive.

There can be few reservations about the band, which has produced some excellent wistful songs, a bird's eye view from the alternative society. The sketches in between are much more hit and miss. At their best, as in a peep at a woman's encounter group where the tyrant in charge creates imaginary problems for her regular disciples but just cannot cope with a revolutionary advocating real action, there is relevance and humour. At their worst, as in a shock final number, intended to play on everyone's pet aversions, the feeling of sickness is for the performers rather than in the audience.

But there are good things: a monologue about meditation and finding the right guru was worthy of Peter Cook in his sensible days, and the psychiatrist forced to cope with Medusa was a good idea, nicely carried through. The final feeling is still one of the novelty of the enterprise, mixed with appreciation of the music. The Sadistas face all kinds of problems in mounting shows, but there are signs that they have the talent to develop in time a really effective underground cabaret.

Wigmore Hall

Yevgeny Nesterenko

The Nesterenko voice, stupendous bass though it is, proves to take as well to the recital hall as to the opera house. On Friday night he sang Shostakovich and Mussorgsky at the Wigmore, with the excellent Yevgeny Schenderovitch at the piano, and made a powerful impression—no hint at all that this might be an evening off from more serious business. The Russian repertoire is of course uniquely generous to the operatic basso, who can revel in songs which don't require him to trim his sails (and even then, at the end of the programme, Nesterenko allowed himself a Volga Boat Song which fairly shook the hall).

It cannot be easy to begin an evening with Shostakovich's Michelangelo Songs Op. 145, for they are neither immediately engaging nor interpretatively straightforward. Nesterenko struck the tone of bitter sobriety at once and sustained it commandingly through the cycle, which he made a continuous whole in effect. Shostakovich's own label "Suite" seemed altogether too modest. Schenderovitch made much of the hard, spare piano-writing, and neither artist let the tension relax for the love songs. The cycle rose to a height of impassioned declamation with the hammer-song "Creativity," and they let the weirdly blithe epilogue on "Immortality" speak for itself, without added irony.

The Shostakovich was pervasively solemn, though sung in superbly clear diction and with balanced finesse; Nesterenko displayed a grand, unexpected range of vocal colour in Mussorgsky's *Songs and Dances of Death*. Conventional basses act the introductions and sing out in the main sections, but this singer made each song a vivid *scena* with no sense of verse/chorus divisions. Without resorting to any contrived delivery, he kept narrative and dialogue distinct, and dramatically compelling. The sensitive flexibility of the voice was a natural-seeming marvel.

DAVID MURRAY

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897

Telephone: 01-248 8000

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Words, not action

MRS. THATCHER'S latest speech on the Conservative approach to the British economy, delivered in Paddington yesterday, was widely billed in advance as a carefully calculated retreat from the monetarist policies associated with Sir Keith Joseph and apparently endorsed by the Tory Party Conference in Brighton last October. In fact, it turned out to be rather less dramatic, though what it was meant to achieve—apart from papering over the cracks in the Party—is less than clear.

Market forces

Mrs. Thatcher endorsed the incomes policy set out in *The Right Approach to the Economy*, which she has not always done in the past. At the same time, however, she omitted to mention directly what has become of its most contentious point: namely, that "the Government must come to some conclusions about the likely scope for pay increases if excess public expenditure or large-scale unemployment is to be avoided; and this estimate cannot be concealed from the representatives of employers and unions whom it is consulting." It is that statement which has become so involved in the argument about norms and averages for pay settlements as well as the present Government's five per cent guidlines, and which has led to considerable embarrassment within the Tory Party.

In so far as she referred to it at all, Mrs. Thatcher said that one of the main features of the Conservative approach was "recognition in both public and private sectors of the need for varied rates of pay with increases which reflect supply and demand, skill, effort, experience, risk and the employers' capacity to pay."

That statement can be read in a number of ways, the most obvious of which is that it is a plea for greater reliance on market forces to establish their own kind of equilibrium. The alternative readings are (a) that is a call for some sort of relativities body to intervene when market or political forces become too frightening and (b) that it is somehow compatible wiht *The Right Approach* and the government's own calculations about what the economy can afford.

All the objective evidence is that Mrs. Thatcher herself would prefer to rely on the markets and that she regards that particular section of *The Right Approach to the Economy* as no more than a pale version of the incomes policy now being pursued by Mr. Callaghan. Yet the fact is that she does not say so, or at least she does not say so consistently. The moment that Mr. Heath or Mr. Prior step out of line with her own thinking, Mrs. Thatcher trims. The trimming may, of course, be tactical in the interests of party unity, but a leader who cannot be consistent in opposition scarcely inspires confidence that she would be consistent in government.

Mrs. Thatcher's back-tracking on the Brighton Conference is the more surprising given her emphasis on one other feature of the Tory approach—the need for what she described yesterday as "open discussion and explanation between Government, employers, unions and all interested parties, so that people know what is happening and why." If there is one subject that needs explaining again and again to the public — to employers as well as unions — it is the workings of the market economy. If the Conservative Party really believes in the market, it needs to say so now—as Sir Keith Joseph, to his credit, has done. To twist a phrase from Mr. Heath, it is a time for words, not action.

Unions

There is one further aspect of Mrs. Thatcher's speech that deserves comment. The Tories are again beginning to face the question of trades union reform, as indeed would Mr. Callaghan if he knew how to do it. Yet the approach outlined yesterday remains hesitant to the point of an apology. It is one thing to mention concern at some aspects of the closed shop and the possibilities of extending the secret ballot. It is quite another to fact up to the fact that strikes are taking place—as in the case of Ford—which are quite unnecessary and which are totally in breach of contract.

The Conservative Party might not know the answer and indeed that is a perfectly respectable position. But at least it might admit more openly that the problem exists. Sooner or later face up to the fact that strikes and responsibilities will have to be tackled at the national level. That means seeking a consensus with the unions and with at least part of the Labour Party.

Dr. Kaunda's new mandate

ZAMBIA'S PRESIDENTIAL election has turned out to be a much greater success for Dr. Kenneth Kaunda than most people had expected. Against a background of severe economic difficulties and an escalating conflict with Rhodesia, his countrymen have given him a convincing new five-year mandate.

Officials of UNIP, Zambia's only party, had feared a low poll and a large "no" vote. Under Zambia's one-party system Dr. Kaunda's name was the only one on the ballot paper, with voters either backing his election with a "yes" vote or opposing it with a "no" vote.

Campaign

In the event, 65 per cent of eligibile voters went to the polls, a major improvement on the 40 per cent of five years ago. While there was a substantially higher "no" vote in percentage terms, President Kaunda saw the actual number of votes in his favour rise substantially over 1973—up from 580,000 to 875,000.

A vigorous "vote yes" campaign, which allowed no dissenting opinion, was duobtless a contributory factor in this result. Nevertheless, the election has demonstrated once more the remarkable popularity of President Kaunda, even at a time when his country's economic fortunes have sunk to the point where there are shortages of such basic commodities as salt and cooking oil.

The result will be an important psychological boost to the President and should enable him to cope better with the difficult times which lie ahead. The confrontation with Rhodesia and Zambia's economic problems are bound to have a destabilising effect. It is all the more important that Dr. Kaunda should retain the confidence of the majority of his countrymen. Certainly, President Kaunda is likely to view his success as an endorsement of his uncompromising attitude towards Rhodesia. Opening Parliament yesterday, he argued that the crisis would only be resolved by war.

The election was, however, preceded by some unsavoury political manoeuvring which prevented two other Presidential hopefuls—Mr. Simon Kapwepwe and Mr. Harry Nkumbula — from challenging President Kaunda in the poll to choose UNIP's candidate.

The party rushed through amendments to its constitution which meant that neither Mr. Kapwepwe or Mr. Nkumbula were eligible to stand. It is unlikely that this affected the outcome, but it is regrettable that UNIP, which prides itself on Zambia's "one party participatory democracy," should have taken such action, smacking of cynical expediency.

That said, it is to President Kaunda's credit that he should have let this month's elections go ahead as scheduled—in the wake of Rhodesia's major raids into Zambia, which could have given him ample reason for postponement. The election results suggest mounting concern over these raids. It seems significant that the "no" vote was greatest in Southern Province, which has been worst hit by the attacks.

Over the coming months Zambia is certain to become more and more embroiled in the war and it will require all Dr. Kaunda's political skills to see stability maintained.

IMF condition

Unfortunately, there seems little relief for him on the economic front. Despite the President's decision in October to re-open his railway links with Rhodesia, Zambia's backlog of copper exports is still at a very high level. The country remains critically short of foreign exchange. Its arrears on payment for imports stretch back 15 months and it has been finding it difficult to keep completely to the terms of its IMF standby loan agreement. The coming year looks like being as difficult for the Zambian economy as any since independence—and that seems certain to reduce the President's room for manoeuvre over Rhodesia.

Britain better able to ride oil price rises than most

BY SUE CAMERON

MR. Anthony Wedgwood Benn, the Energy Secretary, said yesterday that the forthcoming 14.5 per cent rise in world oil prices was "not good news for jobs, for trade and for the UK economy as a whole."

His gloom was echoed by governments all over the Western industrialised world. They had known the Organisation of Petroleum Exporting Countries was going to push up oil prices but the four stage increase announced on Sunday was steeper than most of them had expected.

Despite the general pessimism it is still too early to make any firm forecasts as to how hard Western economies in general and the UK in particular will be hit. But there is some evidence to suggest that Britain may be able to weather the oil price rises better than some of her trading competitors.

For a start, the effect on the UK balance of payments will be negligible. Britain's current annual consumption of oil stands at 93m tonnes but North Sea production has already put the UK more than halfway along the road to self sufficiency. It is estimated that the UK's North Sea wells will have produced between 53m and 54m tonnes by the end of this year. The expected figure for 1979 is betwen 80m and 90m tonnes.

This means that by the end of next year Britain will be almost wholly self-sufficient in oil. As a result, the Department of Energy is estimating the net cost to Britain of the OPEC price rises at somewhere between £50m and £100m. The exact figure will depend on the rate of North Sea oil production during the coming 12 months but even at the upper limit the OPEC prices rises will cost the nation less than did the Ford strike this autumn.

After the OPEC talks: Dr. Mana Saeed al Oteiba, UAE Oil Minister (left), dances on Saturday night, while Saudi Arabia's Sheikh Ahmed Zaki Yamani tells a Press conference that he was not happy with the outcome of the meeting.

Oil companies operating in the North Sea were scarcely jubilant yesterday about the OPEC oil price rises, yet the picture for them is not entirely bleak. This is because the increases could provide them with an opportunity to improve their overall profit margins on oil products sold within the UK.

At present profit margins on all oil products are depressed compared with what they were three or four years ago. And in real terms petrol prices are now lower than they were just before the 1973 OPEC oil crisis. One of the main reasons for this state of affairs has been the UK Government's approach towards passing on oil price increases.

The Government prefers substantial rises in the price of petrol to increases in the prices of heavy fuels. This is because rises in the prices of process fuels for manufacturing industry have a far stronger impact on inflation and on the retail price index. They tend to have a multiplying effect with semi-finished product industries passing on their cost increases down the line.

On the other hand, rises in the price of petrol can be passed straight to the consumer price index too far. As a result without pushing up the retail heavy fuel prices have been kept artifically low over the last few years while petrol prices have gone sharply up. One oil company said yesterday that petrol prices had risen twice as much as heavy fuel prices over the last three or four years.

But the soaring cost of petrol has not benefited the oil companies—it has merely led to a pump price war. The increases in petrol prices have encouraged the Russians and the East Europeans to export cheap petrol to the UK so forcing the oil companies to subsidise many of their retail outlets.

The latest OPEC price increases could therefore give the oil companies an opportunity to improve their margins all round. It is thought they will be pressing the Government hard for permission to spread the OPEC rises evenly over all their products. This would mean a rise of between 2p and 2.5p a gallon on both petrol and heavy fuels.

If the Price Commission accepts overall rises of this order—and with an election coming up next year it is a big if—the oil companies will be able to recover some of their margins on heavy fuels while keeping petrol prices to reasonable limits. Lower rises in petrol prices will not stop the Russians and East Europeans exporting cheap petrol to the UK, but it should reduce the incentive to do so—especially now that the price war has started to die down with all the oil majors taking a tougher line on pump prices.

The oil companies are also anxious to recover some of their own increased internal costs. They have already been hit by dollar exchange rates, by increasing wage bills and by such things as the present transport drivers' overtime ban. When the present round of OPEC increases start coming through it will also put up the cost of the oil needed to keep refineries going.

One oil major said yesterday that an extra 1p a gallon on all oil products would probably cover the increase in OPEC crude prices while a further 1p to 1.5p would enable oil companies to recover some of their costs and redress the balance on their margins.

Suggestions that petrol price rises might well turn out to be compartively modest were lent added weight yesterday by the Department of Energy. The Department predicted that the oil companies would do their best to avoid putting too much of the OPEC price rise burden on petrol and would try to spread the cost to other products. It said one reason for this was that the oil companies were anxious to avoid setting off another pump price war which could end in some of them losing market shares. But if the Government does not allow the OPEC increases to be evenly spread across all oil products UK four star petrol prices are likely to go up by roughly 4p a gallon.

At the OPEC meeting in Abu Dhabi on Sunday it was agreed in principle to further widen the existing differential in the prices of light crudes — for which there is a high demand — and the heavier varieties. The aim of this is to help OPEC members such as Nigeria, Libya and Algeria which geared themselves to supplying the European market at a time when freight charges were high.

European buyers

Freight charges have now fallen substantially and European buyers have started looking to other light crude suppliers. But a widening of the price differentials, while helping some of the African oil producers, will also mean that heavy fuel oils will continue to be comparatively cheaper than products made mainly from light crudes. This is another reason why the oil companies are anxious to spread the OPEC price rises evently across their products.

The oil companies point out that the UK seems to be taking its time over substituting coal and nuclear energy for some of the heavier fuel oils. They insist that the process needs to be speeded up so that once oil supplies start to dwindle, crude products can be directed to the areas where they are most needed such as the petrochemical industry.

The only way to do this is to increase the prices of heavy fuel oils: as long as they remain comparatively low there is little incentive for industry to use replacements.

the new OPEC prices. If anything, North Sea prices will rise slightly higher because of the

The price of North Sea crude generally will rise in line with present loading on refineries in the U.S.

U.S. refining capacity is geared to lighter crudes because demand for light oil products, including petrol with a low lead content, is particularly high in America. The U.S. is already a heavy oil importer and her imports are increasing. This means that the need to meet refinery gearings is likely to push up U.S. demand for imported light crudes still higher. The net effect could be to push up world prices of lighter crudes as well.

North Sea oil is a lighter oil and its sales could therefore benefit from U.S. needs. The U.S. buys most of its lighter crudes from Nigeria and Algeria but if light oil prices went up in line with demand in these countries then North Sea light oil—exported mainly to the rest of Europe — would almost certainly float upwards too. The UK is not currently a major exporter of oil but higher prices for the oil it does export would still benefit both the oil companies and the nation—if only to a small extent.

In a number of ways, therefore, the impact of the OPEC oil price rises will not be too severe as far as oil majors operating in the North Sea are concerned. The will be hardest hit during the first two or three months of 1979 when the first 5 per cent OPEC rise takes effect—they will have to wait until March for a Price Commission verdict on their own projected increases.

This overlapping period will be a tight one for the oil majors but if they persuade the Government of their case for spreading the OPEC rises evenly over all their products, they may actually derive some benefit from the increase in world oil prices.

The obverse of the OPEC coin is that oil product prices are going to go up and whether the emphasis of the increases is on petrol or not, industry is going to have to face higher costs.

Transport costs will rise and if the oil companies have their way, the cost of process fuels will hit many manufacturing industries as well. The prices of consumer goods will be forced up as a result. The effect of the OPEC price increases on the U.S. economy will be particularly significant. The announcement of a 14.5 per cent OPEC increase—which averages out at 10 per cent over the year—has already caused widespread falls in the dollar. The oil price rises, added to President Carter's anti-inflation package in November, will further increase the prices of manufactured goods in the U.S. while at the same time reducing demand. The overall effect could be to dampen the growth in world trade and this would clearly hit UK and Continental industries.

If the dollar were to fall substantially over the coming year, OPEC could find that its price increases were failing to bite sufficiently hard. One option then would be for OPEC members to consider reducing their supplies of crude but it is thought most unlikely they would do this. The net effect would be to reduce their revenues and therefore their spending power and this would largely defeat the whole object of the current 14.5 per cent price rise.

If the 14.5 per cent price rise does not have the desired impact, it is more likely that OPEC would look again at the possibility of basing its oil prices on a basket of currencies rather than on the doubtful dollar.

In the meantime the effect of a weak U.S. dollar is being offset by the present political turmoil in Iran. The cutback in Iranian oil production is likely to be an important though coincidental factor in ensuring that the OPEC price rise does bite—at least in the shorter term. No one knows how quickly normal oil production in Iran will be resumed but there seems little likelihood of any sudden improvement in the situation there. The Shah's troubles could indirectly help to ease the financial path of some of his oil-producing allies.

MEN AND MATTERS

The old school sell

"Enter a new world at Harrods" runs the advertising and a special correspondent has just been finding out how new that world is. Having left school on December 1st, my friend joined the seasonal influx to Harrods of Oxbridge candidates on December 4th. By December 6th their influence was visible in the sign on a plucked turkey saying "ostrich." An American who saw the fowl in question was overhead extolling: "Gee, Henry, doesn't Harrods stock absolutely everything?"

It has proved an exciting period. One young Scottish lord who had given himself out for wages, hiding to cool off after a row with a client, knocked himself out in a wine cupboard. And this weekend, armed raiders snatched £25,000 in cash.

Our correspondent had been hoping for immersion in the vast ocean of the real world but complains that it proved little more than a paddling pool. Indeed there have been gripes tht the atmosphere was one not of leaving school but of returning to it. Equipped with pencil, paper and blackboards the bright young entrants for university places found themselves battling with note taking. The prefects and teachers for their part were replaced by the more rigid hierarchy of the Duke of Edinburgh's outfitters and the Queen's suppliers of provisions and household goods. Assistant buyers have to be addressed as Miss Y and a mere glance from a buyer causes elbows to rise from counters, or so my correspondent assures me.

But, however, little matters are changing within Harrods, outside it seems the image is not what it was. My colleague in the next-door office has just switched his presents from Harrods bags to those of Marks and Spencer. And looked up guiltily when I found him doing so.

"It must be an Irish cracker—it says 'When is a pound not a pound?'"

Aiming high

Aims, the free enterprise organisation, does not like Quangos. In fact it is going to "exterminate them," or so Aims' director, Michael Ivens, warns. Its weapon for this merciless battle? The cartoon.

So I was told yesterday by Aims as it launched a £200 "reward" for any graphic design describing the quasi autonomous non-governmental organisations which Whitehall has been happily planting in our midst. "If you cannot draw a letter will do," Aims adds.

"The public reaction has been immense," it assures me about its earlier cartoons. These have appeared in papers ranging from the Times to the New Statesman—all of them as advertisements. Aims seems to believe that one picture tells 5,000 words, though cartoonists might question how much it has added to their art.

One of its offerings shows a man dreaming of five years' more socialism and seeing a worker struggling with the oars of a boat with Wedgwood Benn as its figurehead and five bureaucrats as the cargo. Even the most charitable observer would hardly credit this with subtlety: the judges will presumably be looking for other plus points. As for the Civil Service Department, this told me that it would surely be rather "tricky" to portray a quango: "Since it is a subject of current political interest civil servants wouldn't want the embarrassment of getting involved," it added.

EMS and UDI

As Ireland joins the European Monetary System the fires of revolt seem to be stirring in the Isle of Man. "We must contemplate whether we might see the Irish Punt as more acceptable and replace the English pound," says the island's Government Treasurer, William Dawson.

The Manxmen have long preferred their own style. They have 50p notes and £1 coins—though these have proved collectors' items more than currency and the only commercial sighting of the £1 coin was when one was mistakenly given over in a shop as a 5p piece.

With Irish and English money circulating freely the situation seems more tricky there than in the Channel Isles. There Jersey's economic advisor, Colin Powell, yesterday: "It is in the UK's and our best interest for monetary union to continue

In the Channel isles the idea of Jersey setting up its own central bank and breaking away from monetary union with the UK and the sterling area has been discussed in the past. The idea was firmly rejected by Jersey's "chancellor," Senator Cyril Le Marquand, in his 1976 budget speech, but it is not long since the EEC negotiations when Geoffrey Rippon told the island's leaders that if the terms agreed for them were not acceptable they could opt for complete independence.

Nonetheless in London today a different view prevails. The Bank of England argues that it is very unlikely that any of these islands would be invited to join the EMS without Britain's encouragement and the Home Office puts it even more strongly. "For foreign dealings they are part of the UK. They have no choice in the matter."

Russian Rolls

"Above average suspension comfort," seats in "tasteful velour" which "conform to the body," a stereo radio and a 220 HP V-8 engine are among the accoutrements of Leonid Brezhnev's luxurious limousine, according to an East German motoring magazine. Allowed a closer look at his new Chaika 14 than most Russians this praises its "good qualities on the straightway" which might be a diplomatic way of questioning how well the 20-foot car corners.

The car reaches 60 mph in 15 seconds and has a top speed of 110 mph. It weighs 3.5 tons, which would seems to indicate some bullet-proof shielding and is virtually hand built at the Gorki heavy truck plant. It also has transistorised ignition for those cold mornings in the Kremlin garage, electric windows and air conditioning.

Just as Stalin's old Zil used to look like a 1939 U.S. Packard so the Chaika 14 at first glance resembles a Lincoln Continental. Recently Jimmy Carter has been travelling to countries like West Germany with his own car and should Brezhnev try to do the same in the U.S. he can rest assured that the Chaika's fuel consumption—17 miles to the gallon—will not yet run him foul of the federal authorities.

Fickle memory

One more in our series of *frustrated shoppers*: "I am looking for a Christmas carol."

"By Charles Dickens, sir?"

"I don't care who sings it as long as it is cheerful."

Observer

هكذا من الأصل

FINANCIAL TIMES SURVEY
Tuesday December 19 1978

هكذا من الأصل

CANADA

The slide of the Canadian dollar may have brought the economy within sight of a recovery, but unemployment remains high and the fortunes of the Trudeau cabinet are at a low ebb. In Quebec, a provincial Government dedicated to sovereignty is digging in.

Five key questions on the future

By W. L. Luetkens

CANADIANS ARE having to live with no fewer than five uncertainties bedevilling the political and economic future of their country. Some will be resolved in 1979 or at least be brought closer to resolution; others will remain open for a long time.

Who will win the elections that must be held by next July? Until that is known the Trudeau Government will continue to suffer from a progressive decline of authority.

How far and how fast will Quebec push its case for more self-government, and how will English Canada respond? The next milestone is likely to be a referendum organised by the Quebec Government, some time after the federal elections.

What if anything can be done to amend the Canadian constitution? The desire to turn it into a firmer framework for French-English relations in Canada is the key task here, but many personal and regional aspirations enter into contention.

What immediate measures can be taken to restore the health of an economy which has provided Canadians with a very good standard of living, but which has not been able to reduce high unemployment and has run into severe external payments problems?

What, if anything, needs doing to change the structure of the economy? This is an argument almost as old as Canadian confederation and really revolves around the relationship with the U.S. There always has been a school of thought that wants to reduce the economic dependence of Canada on its southern neighbour. There is little reason to suppose that it will make much more progress now than in the past.

The shakiness of the Liberal Government of Mr. Pierre Elliott Trudeau became obvious for all to see on October 15, when it was roundly defeated in a series of 18 by-elections. Not a single Liberal was returned from a constituency outside Quebec. Even in that province, the traditional stronghold of the Liberals, they were struggling, though in the end they held one safe seat, lost none, and took one off the Progressive Conservatives.

On the evidence of October 15 one would have to conclude that Mr. Joe Clark, leader of the Progressive Conservative Party, will become Prime Minister in 1979. But he has been on top of the world before and then fallen back again, judging by the public opinion polls. There is little reason to suppose so, but fortunes could be reversed once more.

Mr. Trudeau has fought back with what should be a moderately popular budget and by trying to spruce up a distinctly ragged looking Cabinet. Mr. Robert Andras, a good administrator, has been appointed president of a newly created Board of Economic Ministers. His job will be to keep a check on Government programmes that have been proliferating to the accompaniment of waste and bureaucratic complications. In political terms the Board is to persuade Canadians that their economy is being managed purposefully.

The shuffle was also intended to spruce up a cabinet which had taken on a tired look. Mr. John Turner, who resigned from finance in 1976, is generally considered the only plausible Liberal alternative if Mr. Trudeau decides to give up. The decision would be his alone, and is therefore hardly predictable.

A sharp attack on waste in Government programmes from the Auditor-General during November has played straight into the hands of Mr. Clark who is preaching economy in government to free resources for industry. One of the ideas he is toying with is a "sunset clause" in every piece of legislation starting up a new programme, meaning a clause that ensures that the programme must be reviewed by parliament after a stated number of years.

Triumph

The Tory leader, youthful looking even for his 39 years, comes from Alberta. His election in 1976 was a triumph of organisation for a dark horse. That talent has not been lost. By all accounts Mr. Clark has mastered the Tory caucus, not an easy task.

One of his proposals is to sell to private investors Petrocan, the Government-owned oil company. Petrocan was intended to assure a Canadian presence in a U.S.-dominated industry, but Mr. Clark feels that Canadian ownership in this as in other sectors of Canadian industry can be ensured by other means. As he said in a speech in Toronto last month: "We shall be proposing means to encourage many more citizens to take their money from their Canadian socks and put it into Canadian stocks."

In keeping with the mood of the country, Mr. Clark wants to carry further the reform of unemployment insurance that has already been undertaken to reduce abuses. Where possible, he says, money should go to create jobs and to train people for them.

His seeming lack of appeal to the French Canadians, need not mar Mr. Clark's electoral chances, since the French account for only about a quarter of the electorate and are concentrated in Quebec. The English majority, which has always been suspicious of Mr. Trudeau's attempts to foster bilingualism in government as a means to hold the country together, has been thoroughly disillusioned by the economic difficulties that have caused the Canadian dollar to decline steeply in the past two years. And as things stand, it is economics that will decide the election.

It may end with the Tories sweeping English Canada, and the Liberals almost sweeping Quebec. The implications for the unity of the country are obvious: Quebec separatists and those close to them will be able to argue that political patterns in Quebec and the rest of Canada are already so different that it almost amounts to *de facto* separation.

It is a view already sedulously propagated by some supporters of the parti Quebecois (PQ) Government of Mr. Rene Levesque in Quebec. The tactical intent is clear—to suggest that there is something inevitable about the separation of Quebec in one form or another.

The PQ is proceeding with extreme skill. It misses no opportunity to stress that Mr. Levesque is one of a line of Quebec Premiers who for more than a generation have striven to increase the political autonomy of their province. That takes the edge off the novelty of the PQ Government that it wants to cut adrift from Canada in a form of *souverainete-association* or sovereignty in association with the rest of the country.

Sovereignty as defined by Mr. Levesque means that the Quebec Parliament shall have the exclusive right to legislate and to tax Quebeckers. Association means a common market, a common currency and monetary policy, and in political terms adherence to North American security systems such as NATO.

In a speech during October, Mr. Levesque made clear that he did not want to have sovereignty without association. Will English Canada concede it? Mr. Trudeau and Mr. Clark are agreed that the federal Government has no authority to negotiate the separation of Quebec. In law they are right. In political terms a sweeping victory for the PQ in the referendum could create severe problems.

But will it come? At the moment there is no majority support in Quebec for separation in any form — but there is support for change. Even Mr. Claude Ryan, elected leader of the Quebec Liberal Party this year on an impeccably federalist platform, supports change through amendment of the Canadian constitution.

Mr. Ryan has gone a long way towards re-establishing morale in the Quebec Liberal Party and among the English speakers who constitute about one in five of the Quebec population. There is one clear symptom of that: house prices in Montreal, which plummeted when the PQ came to power in November 1976, have begun to rise again. There is no panic exodus, though the long-established trend of English-controlled financial institutions moving to Toronto has not been reversed. Mr. Ryan's success may also have calmed the apprehensions of the English-speaking provinces, which plays into the hands of the PQ tacticians.

The same is true of Mr. Levesque's readiness to co-operate in a series of conferences of the 10 provincial Premiers and Mr. Trudeau to discuss constitutional reform. It is generally agreed that there is something anomalous about Canada, a country of undoubted sovereignty, having as its constitution a 19th century Act of the British Parliament. Mr. Trudeau has for long wished to have an indigenous Canadian constitution, to "patriate" it as Canadians say. But to do so he must have unanimity between Ottawa and all the provinces on the new arrangement, and it is hard to see how he can get it.

The constitutional debate would probably be entirely blocked were it not for Mr. Trudeau's willingness to discuss a re-allocation of powers between the federal and the provincial governments. Not only Quebec was interested; so was the west. Alberta with its gas and oil, and Saskatchewan which is on the verge of a uranium boom, and others as well, hope to enhance their control over their natural resources by constitutional reform.

A separate article of this survey is devoted to the cyclical condition of the Canadian economy. The main fact is that the devaluation of the Canadian dollar by about 17 per cent in two years has created a springboard for Canadian exports, which have been leaping up. But the investment climate remains dull, not least because of political uncertainties. Besides, nobody can tell for how long the trade unions will accept the decline of real pre-tax incomes which has coincided with devaluation. Next year could be one of industrial strife.

Problems

The rise of U.S. interest rates has caused severe problems in Canada where the cyclical position calls for low rates, but the balance of payments will not allow it. Canada has always been an importer of capital, and now that business investment is flat the federal Government has had to step in as a borrower to cover the yawning current account deficit. Something like C$4.6bn in reserves has been lost in two years, largely because of a huge deficit on the travel account and for capital service.

Foreign lenders do not seem to be unduly perturbed; Canada and for that matter Quebec, has been getting what it wanted. The lenders probably had got it right. The current account deficit has been moving in a range between 2 and 3 per cent of Gross National Product (GNP) in the past three years, which is not dramatically higher than in many a past period. The cyclical problems of the economy, therefore, are on a scale that should be manageable.

The argument about industrial structure revolves around two main points. Can Canada afford to live with huge C$10bn deficits on its trade in finished manufactures, relying primarily upon energy and raw materials for a merchandise surplus? And has heavy foreign and especially U.S. investment stunted its ability to compete in world markets?

Sectoral working groups consisting of officials, industrialists and trade unionists are looking at Canadian industries with the view to evolving an industrial strategy. The pattern that appears to be emerging is against free trade with the U.S.—something that had been proposed by a committee of the Canadian Senate—but in favour of some selective arrangements such as the agreement already existing for free trade in automotive goods across the U.S. border.

The Economic Council of Canada, a semi-official body, has proposed a C$4bn fund to be spent in 15 years to redeploy industry. As industrial efficiency increases, tariffs should be cut to give the essentially non-manufacturing provinces in the West and the extreme East cheaper goods.

Last month Mr. Jean Chretien, the Finance Minister, added to the existing tax incentives for research and development in Canada. At the moment it accounts for less than 1 per cent of GNP—a share which the Conservatives would like to see grow to 2.5 per cent. The Science Council, another semi-official body, has proposed using existing powers to screen foreign investment to promote the import of modern technologies.

Yet given persistently high unemployment Canada will no more be able to turn away foreign investors in the future than it has in the past, even if it does use traditional technology. The Tories in fact are disposed to look at the existing powers of the Foreign Investment Review Agency to see whether its very existence has scared away potential investors.

The odds therefore are that what structural changes there are will be gradual and small. Canada will have to go on making its compromises—between nationalism and foreign investment, between English and French.

THE ECONOMY

Uncertainty clouds investment climate

THE TESTING time has come which must show whether the steep devaluation of the Canadian dollar by about 17 per cent during the past two years has worked, or whether the undoubted gains it has brought will be lost again.

The impact of devaluation on the merchandise account of the balance of payments has been felt for some time. A surplus of about C$3.5bn or a bit more is in prospect for 1978. At the same time, consumer spending received a boost during the year from remissions of retail sales tax.

But neither the increased exports nor increased consumer spending have been enough to arouse corporate investment from the torpor that befell it three years ago. Not even steeply rising corporate profits achieved that. Cash flow in the business sector rose by 16 per cent last year and by something of the order of 18 per cent in 1978. In the third quarter the profits after tax of the larger corporations are estimated to have been almost one-third higher than in July-September of 1977.

Blame

Much of the blame for the investment climate must attach to the many uncertainties overhanging Canada. The Quebec situation, while relatively quiescent, has not been settled: an election is in the offing: nobody can be sure how the trade unions will react to the ending of wage and profit controls this year: and devaluation itself, while beneficial to importers, is bound to have an inflationary effect.

Statistics according to which manufacturers are running their plant at about 86 per cent of capacity do not on the face of it support a case for investing now. But the figures imply that some plant must be almost flat-out; nor do they allow for the need to modernise which must exist in many cases.

None the less most forecasts are that business investment next year will grow by no more than 2 to 3 per cent. On the strength of a survey of investment intentions the Government arrived at 3 to 3.5 per cent, following on 2 per cent this year. Some intrepid economists will go as high at 5 per cent, but even that would be insufficient to make much of a dent in the unemployment rate of more than 8 per cent.

Recent increases of the discount and prime rates in the U.S. have not been helpful. Since Canada relies on capital imports to balance its external accounts, it generally has to keep domestic interest rates above the U.S. level. Canadian rates duly went up too, with relatively little controversy. If the Americans were to tighten up further, Canada could be hurt.

The conflict between the wish to stimulate the economy and the need to prevent capital outflows did not simplify the task of Mr. Jean Chretien, the Minister of Finance, when he introduced his budget on November 16. The fact that it was his third this year shows how difficult the Canadian Government is finding it to deal with its dilemma.

The tenor of the budget was settled during a hectic period in the sumer and autumn when, on the initiative of Mr. Pierre Elliott Trudeau, the Prime Minister, the decision was made to cut spending plans heavily. Expected expenditure of C$54.6bn in 1979-80 was reduced to C$52.6bn in Mr. Chretien's Budget. All going well, federal expenditure will grow by 9.9 per cent in the current year and by 8.9 per cent in 1979-80, rates below the nominal growth of GNP.

As a stimulatory measure and in order to slow down inflation Mr. Chretien cut the sales tax at wholesale level by an amount reducing revenue by C$1bn in a full year. Other tax cuts will raise that amount to C$1.4bn. They are mostly designed to encourage research and development and mining exploration.

Economists reckon that the cuts will add between a half and three-quarters of a percentage point to next year's real growth, bringing it up to something between 3½ and 3¾ per cent. Mr. Chretien, ever the optimist, forecast 4 to 4½ per cent, which seems high.

The strategy behind the Budget has been evolving for some time—to seek to transfer resources to the private sector. That is in keeping with the increasingly conservative temper of the country, though not enough has been done to satisfy the Progressive Conservative opposition.

Mr. Joe Clark, the opposition leader, wants immediate tax cuts of C$2bn, and is preaching economies in the civil service and Government-owned agencies. In addition to the tax cut he is proposing that, over a four-year period, interest on home mortgages of up to C$50,000 should be made deductible from taxable income. In the first year that would reduce revenue by C$400m, rising to C$52bn in the fourth year.

Besides these actual and proposed cuts, there is a cut built into the system. Tax allowances are indexed, which will lop C$2bn off income tax bills in 1979-80.

Real growth next year of 3.5 per cent or better would be quite a respectable result, but for the fact that it will not bring down unemployment from its present level of 8½ to 9 per cent during the current phase of fast growth of the population of working age. Against the high unemployment ratio the Government can point to the fact that employment has been growing steadily in recent years. Since 1975 the number of persons with jobs has risen from 9.5m to 10.3m.

The existence of more than 800,000 unemployed has helped to keep wages down at a time when the country is coming out of wage and profit controls. Throughout 1978 wages have been advancing by less than the inflation rate of about 9 per cent. Real wages before tax have been declining, even though they appear to have been more or less stable after tax. There have been strikes a-plenty but some very moderate settlements as well, without confrontation. The critical point here may come in 1979. Events then will determine whether Canadian industry will lose the benefit of devaluation—a benefit which, by and large, has countered out the deleterious effect of a rapid increase of labour costs in the early 1970s.

Vulnerable

Should that happen, the hoped for recovery of business investment will be further delayed, unemployment will remain rife, and the Canadian dollar will remain vulnerable. The Canadian Imperial Bank of Commerce has done an analysis of the relative purchasing power of the U.S. and Canadian currencies, and has concluded that on that basis the rate ought to be about U.S. cents 90-91 to one Canadian dollar. That is not of course the manner in which foreign exchange dealers do their sums, especially where there are such large capital movements as between Canada and the U.S.

The Bank economists say that they expect the actual rate next year to be in the 84-86 cents range. There is in fact some agreement that the Canadian dollar will strengthen a bit vis-a-vis the U.S. currency. That leaves open what will happen against other currencies, but then it is the U.S. rate that counts in Canada; some two-thirds of Canadian external trade is done with the U.S.

The consensus among economists is that the Canadian merchandise surplus will decline somewhat in 1979 to something in the region of C$3.5bn and that the current account will go from a deficit of around C$5bn this year to C$5.5bn. Those amounts, judging by past experience, would be sustainable. But it would be better if the capital imports required to cover those sums were more productive.

What has been happening of late is that the federal Government has had to step in and borrow on foreign markets to fill a gap left by reduced provincial borrowing and by reduced imports by private borrowers. Between the beginning of 1977 up to the end of November 1978 Ottawa made bond issues in New York and Germany totalling the equivalent of U.S.$2.2bn. In addition it drew U.S.$2.4bn from lines of credit arranged with two banking consortiums, in all U.S.$4.6bn. The officially held reserves were held steady, so the U.S.$4.6bn borrowed must be the equivalent roughly of the actual loss of reserves.

But that figure does not tell the whole story. The loss to the Canadian system as a whole seems to have been much less. You can get an idea by looking at figures for unswapped deposits held by Canadian residents in the form of foreign exchange deposited with Canadian banks. It has risen by U.S.$2.5bn in a year. These dollars represent positions taken by Canadians against the Canadian dollar (though not by the banks which, by and large, do not take positions in the foreign exchange market).

Once confidence in the Canadian dollar is restored, those funds might flow back very quickly. The result could be a currency temporarily as overvalued in trading terms as it now is undervalued. Canadian manufacturers would not like that. There is much of a structural nature that is working against them; principally a small market which belongs to none of the big economic blocks.

On the positive side there is the effect of devalation, the hope of continued moderation on the wages front, and the possibility that the expected slight upturn of business investment will gather impetus. Provided the world environment remains right—meaning that the US avoids recession—Canada's strength in the field of natural resources and energy could provide the basis fro a thorough recovery.

W. L. Luetkens

FORESTRY

Mills enjoy peak year

CANADA'S FOREST products industry is reaching the peak of its current two-year upswing. Record high North American interest rates will slow down economic growth and housing construction next year. This implies more sober times for the industry, even though world markets outside North America may well improve.

Paper and forest products companies have been going through a heady year. Their stocks have outperformed most other groups in the market. Canada sells about three-quarters of its newsprint and building lumber in the U.S., and it is the U.S. market, because of its huge size, which indirectly controls the cycle in the Canadian forest products industry.

U.S. demand for newsprint and lumber soared in 1977 and 1978, just at a time when the Canadian dollar was being floated down to the largest discount since the 30s against American currency. The impact on the Canadian industry has been dramatic, both in activity and profits. Nearly all the mills have been working full out, especially those making newsprint — where total Canadian capacity is around 10m tonnes.

Canadian producers have been getting an average of about 16 per cent exchange gain this year, on products sold in the U.S. Gains have also been made from the sharp appreciation of some European currencies and the yen.

In the autumn lumber prices fell back between 10 and 20 per cent as the North American housing markets faltered, but newsprint and pulp prices are firm. Newsprint producers have given notice of increases of $20 to $25 a ton (U.S.) early in the new year. They argue their costs are still rising fast and their exchange gains could evaporate should Canada's dollar policy swing into another phase.

NEWSPRINT SHIPMENTS
(000's short tonnes)

	1975	1976	1977	1978 (e)
Can. shipments	7,727	8,712	9,005	9,695
Can. output	7,679	8,915	8,988	9,698
Can. capacity	9,892	9,921	9,902	9,950
Output: capacity %	77.6	89.9	90.8	97.5
U.S. output: capacity %	93.5	93.1	94.4	93.4
U.S. consumer invent.	1,004	1,333	1,180	1,200

(e) estimate.

The federal budget in November improved the investment tax credit and extended fast write-offs for anti-pollution equipment. These measures should help the Canadian industry's competitive position over the long term.

The experience in the first nine months this year of British Columbia Forest Products, a major Western producer of newsprint, pulp and lumber, sums up the industry's performance in general. B. C. Forest, one of the best-managed firms, is controlled by Noranda Mines and Mead Corporation of the U.S.

The company earned (Can.) $45.6m, or $2.99 a share, in the nine months against $23.1m, or $1.50 a share, a year earlier. Sales were $503m, against $330m. The net contribution to earnings of exchange gains (on mainly U.S. sales) was $16.4m, or $1.09 a share, against 45 cents a year earlier.

All divisions have been working at full capacity and demand was even strong for market pulp, with firming prices. The troublesome world pulp inventory at the start of the year has dropped to 1.1m tons. Strong demand and better prices are expected for market pulp well into 1979. While North American demand for lumber is likely to ease, overseas sales, especially in Japan, are looking up.

B. C. Forest, in common with most other companies, has been running its newsprint machines at around 100 per cent capacity. In the East, where forest products firms are heavier in newsprint, even if there is a newsprint slowdown in 1979, some offset is possible from firmer packaging and fine paper markets. Newsprint inventories are now about normal.

In 1975, double-digit pay claims by the Eastern Canada pulp and paper unions were one reason why the federal Government reversed its stand and brought in wage and price controls. Contracts covering two years from May 1, 1978, have ben signed with little disruption in the East, and total about 12 per cent.

This is considerably lower than the average increase signed this year alone in the U.S. of 10 to 11 per cent, and goes some way to reversing the trend of recent years. By the start of 1976, it was estimated that wage costs in the Canadian industry had reached nearly 20 per cent above those in the U.S., assuming the two dollars were around par.

Wage and price controls finally come off at the end of 1978. The unions in the East and the West have been closely watching the profit experience of the companies. In the West, the International Woodworkers has stated quite clearly that members regard exchange gains as a "major windfall" for the companies. When they negotiate next spring, free of wage controls, they will be seeking increases in line with American settlement plus improvements in fringe benefits.

The industry has been subject to some violent swings in its fortunes over the past 20 years. Generally it has had low margins, highly sensitive to the swings in demand, and low stock market prices in relation to assets and equity. Its cost structure has been climbing inexorably, particularly since the energy crisis. The capital cost of new mills, expansions or new newsprint machines, has almost doubled since 1970.

A new medium-sized pulp mill in Eastern Canada today

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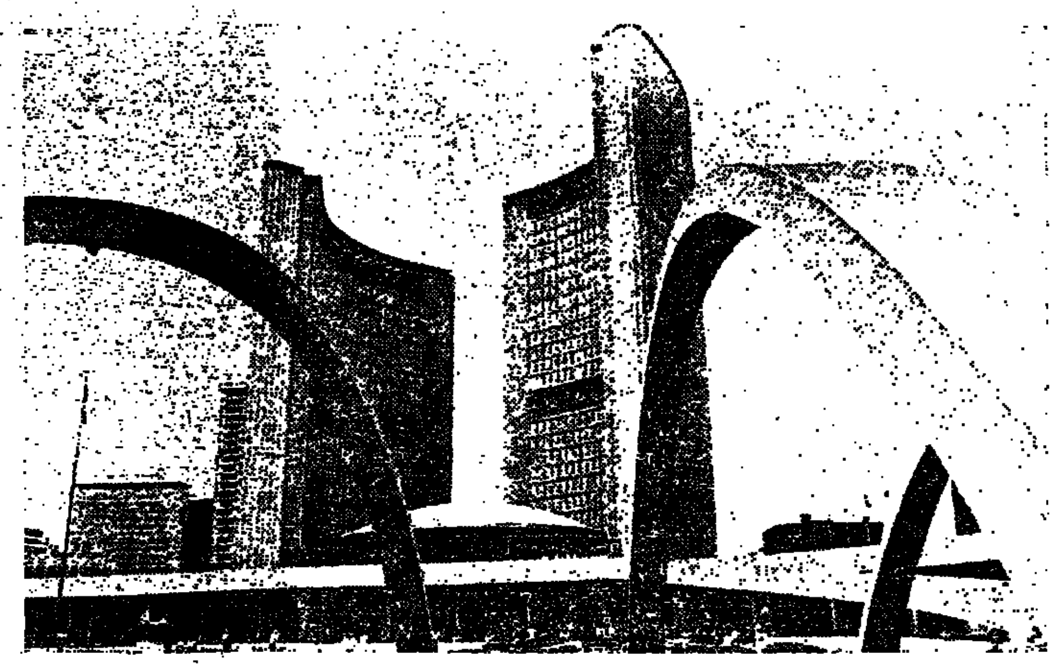
FINANCE

Delays in important banking legislation

PRIME MINISTER Pierre Trudeau's decision to postpone a federal election until next year was one of the most analysed political events of 1978. Amid the public uproar one implication received little comment; but it was a matter of great importance to the Canadian financial industry. The continued life of the current Parliament meant that new banking legislation, in process since 1976, would have a fighting chance of getting through in time to become effective by April 1 next, the most recently set deadline.

The two delays that have already occurred in introducing the revised Bank Act have caused considerable uncertainty in the Canadian financial world. At the same time, some financial executives who believe that Parliament will finally get around to enacting the new legislation have set in motion a number of complex deals aimed at preparing their organisations for the brave new world of banking envisaged by the Act's designers.



The city hall of Toronto, Canada's financial capital.

An unusual chorus of approval from the financial industry greeted the new legislation when it was introduced in May of this year, although one concession to popular suspicions about boardroom relationships—a severe restriction on the kind of outside directorships a banker could hold—shook them a little.

They were partly mollified, however, by significant reductions proposed in the amount they would have to deposit as statutory reserves with the Bank of Canada—deposits which earn no interest.

Executives of the increasing number of "near-bank" financial institutions were pleased to learn they would escape the imposition of federal reserve requirements—something which had been proposed in the Government's original policy paper but did not survive into the Bill.

Escape

Investment analysts and of course the bankers themselves themselves were pleased about the prospect of improved profits for the banks, principally from profitable use of the additional money freed up by the new rules on reserves.

Even foreign bankers, while not exactly enthusiastic about legislation that would bring them under Canadian Government regulation for the first time and limit their growth, were comforted by the decision that an important restriction on their size would be a matter of Government policy and not written into the Act. Policies can be changed more easily than laws.

More recently, as the fine print of the legislation is read closely, more complaints have been heard from a number of quarters.

The current forum for criticisms of the proposals is the House of Commons committee on finance, trade and economic affairs. In an unusual move the House agreed to refer the legislation to the committee for detailed examination before the Bill had received its second reading, signifying approval in principle by the whole House. Government spokesmen argued that this could cut the revision process by up to six months.

The Commons did not have 10 to 12 days to devote to the second reading stage before the summer recess. By going straight to committee a summer-long halt in the process was avoided, interested MPs got a chance to study the ramifications of the legislation and outside organisations had another opportunity to prepare briefs for submission at committee hearings during the autumn.

All this may of course only serve to confuse the legislators rather than enlighten them.

To take an example: they were confronted recently by a brief from three of the country's largest trust companies that argued that the new legislation would seriously weaken their competitive position against the banks.

Then a week later they received a brief from the influential Canadian Bankers' Association (CBA) that argued the new legislation would be unfair to bankers.

The trust companies' brief recalled that the Government's original policy paper stated that a principal objective was to provide for "a banking and financial system as competitive as possible." Yet the Act will allow banks easier access to mortgage funding, tax-deferred savings plans and long-term deposits, the very heart of the trust companies' business.

On the face of it such changes might be construed as making the system more competitive, which is the banks' view of the situation. But because of the remarkable difference in size, the banks' argument is rather like saying that the elephant and the mouse should be free to compete with each other without any restrictions.

Mr. Kenneth White, chairman of the country's largest trust company, the Royal, said before the Commons committee that even the present competitive position of the trust company industry is inequitable in that the combined assets of the seven largest trust companies are not equal to the assets of even the fifth largest bank by itself.

The fact that the banks so completely dominate the Canadian financial scene has bedevilled many a scheme to rationalise the regulatory structure of the financial industry. With their C$170bn of assets they account for 67 per cent of the whole industry.

When the new Bill saw the light of day earlier this year the bankers breathed a sigh of relief that it did not contain any direct restriction on the size and future growth of the banks.

Many bankers had been concerned that the Government might propose politically attractive changes of this kind because of the common public belief that the banks are big, fat and indolent.

The bankers naturally think differently. In their view the banks are big because they are efficient and very good at delivering services people want. Moreover, the banking industry is both Canadian-controlled and also one of the few in Canada that is big enough to compete with its international rivals head on. In fact, the Canadian banks have done well on their foreign business and have a justified international reputation.

Restriction

Government policymakers appeared to accept the bankers' view of things, both in their original White Paper and in the final draft of the Bill. They would allow the banks to enter almost every financial market in Canada. At the same time they would restrict the banks' most dangerous competitors, the subsidiaries of foreign banking organisations, to a maximum of 15 per cent of total commercial lending by banks in Canada. An individual limit of C$500m on the assets of any one foreign banking organisation would be applied as a matter of Government policy but would not actually be written into the legislation itself.

Between 40 and 50 foreign banks are already heavily involved in making commercial loans in Canada and raising funds on the Canadian money market—though they must not call themselves banks and operate under provincial, not federal law. Most of these appear likely to set up foreign banking subsidiaries under the new legislation. That would bring them under federal regulation for the first time, a prime objective of the Canadian banks.

The recent CBA brief took all this for granted but quarrelled with a number of other aspects. Its principal complaint was a proposed new 3 per cent reserve requirement on foreign currency deposits, which would not, however, apply to foreign banks operating in Canada. (Canadian banks have not so far had to hold statutory reserves in respect of their growing foreign currency deposits.)

The bankers' group was also not enamoured of the prospect of not being able to dominate the proposed new clearing body, the Canadian Payments Association, even though they account for 90 per cent of the volume of payment items handled by the present clearing system—which is operated by themselves—and 98 per cent of the value. They are worried that the banks may have less than half the votes on the board of directors of the association, and that this could lead to adoption of too lenient liquidity requirements on members under pressure from the other financial institutions, such as, for instance, credit unions.

Overall, however, the new legislative regime would seem to make bank status a most desirable one. Indeed the president of the Trust Companies Association of Canada recently said the Government has made other financial institutions an offer they may find hard to refuse.

The new legislation contains provisions that would make it easier for trust companies and other institutions to transform themselves into banks. One result would be to strengthen federal control over the financial system. Banking is indisputably a federal responsibility under the British North America Act. But many other types of financial institution are regulated under provincial government powers.

An immensely complex merger scheme now under way will provide an interesting test of whether such things can be done in future. One of the big three Canadian trust companies, Canada Permanent, recently announced it was holding exploratory talks with Canada's biggest sales finance company, IAC, about an eventual amalgamation of the two companies.

The interesting thing about this manoeuvre is that IAC has already gone through several years of arduous preparation for turning itself into a bank. Its banking subsidiary is scheduled to begin operations next June and eventually IAC and its subsidiary will be united into one organisation.

Canada Permanent would not come into the picture until after IAC's bank was in action and after the new banking legislation has become law. But the move is a fascinating indication of the way things are evolving in Canada's financial system.

Hugh Anderson

Mills

CONTINUED FROM PREVIOUS PAGE

costs well over $200m—the new Donohue-St. Felicien pulp mill north of Quebec City, now in the start-up phase, will have cost over $300m when it is all in place. A new newsprint machine has a price tag of around $100m.

The high cost of plant and relatively low stock market prices for many of the producers' shares has encouraged takeover attempts and rumours of takeovers.

The most dramatic move came during the summer when a Toronto-based investment group appeared to be trying to get control of Abitibi Paper through acquisitions of large blocks of stock in the market. Abitibi, which then owned just over 50 per cent of Price Company, of Quebec City, as a group had become the world's largest newsprint producer. Its stock was widely held.

Foiled

The move was foiled, but it led to Abitibi buying the rest of the Price Company shares, and will bring about greater integration of the two companies' operations. The group has major interests in the Southern U.S.

Abitibi is taking over the shutdown Stephenville linerboard mill from the Newfoundland Government for about $43m and will convert it to newsprint production mainly through adapting the machinery and giving it greater speed.

Despite the strength of the two-year upswing, a few companies have failed to pull out of the doldrums. The most conspicuous has been Reed Paper, owned by Reed International of the UK. The company had been over-ambitious in its capital spending and diversification programme, and is only now getting back into the black.

Reed Paper has sold major pulp assets in Western Canada and other interests and the proceeds have been used to reduce debt. The company is concentrating on its traditional forest products base, though there remain major environmental problems at its Dryden mill in Ontario. It old newsprint mill at Quebec City has been very profitable.

During early autumn, it was confirmed that Reed International was having "preliminary negotiations" with several Canadian companies, including MacMillan Bloedel, towards selling its 87 per cent voting interest in Reed Paper. There has not been any further word on these negotiations.

The industry is still cautious about putting in new major capacity in all forest products, because of the uncertainty over exchange profits, the problems with the American economy, less-than-adequate longer-term return on investment, and the high cost of meeting environmental standards.

In the East, machine speed-ups and other improvements continue. The Donohue-St. Felician pulp mill is coming into operation at a time of better prices. Major capital investment projects have been examined, and there has been talk in the industry of the possibility of two new newsprint machines. Coated paper capacity is being increased by some companies supplying the U.S. market mainly.

In the West several major companies have embarked on fairly large programmes to adapt their operations to smaller-type trees, but some are programmes which were delayed by the last industry recession. It seems likely that at least one newsprint machine will be installed in the next two years.

Both Ontario and Quebec have announced tentative programmes to help the industry expand capacity judiciously and meet the cost of cleaning up pollution, but it remains to be seen how effective these will be.

Even if the Canadian dollar firms next year and the Carter economic measures check U.S. growth, the industry sees some improvement in overseas markets and a favourable outlook generally for the first half. Beyond this, the uncertainties are manifold.

R. G. Gibbens

ALUMINIUM

Demand stays firm

CANADA'S primary aluminum industry, based in Quebec and British Columbia with annual ingot capacity of well over 1m tonnes, has had a very active year. The surplus inventory problems of 1975-76 are over, earnings have rebounded, and the industry believes it is in the most favourable cost position since the 1960s.

At the world level, demand this year will have probably shown a gain of 5-6 per cent, but the real strength has come in the U.S. market. Demand for aluminum products of all kinds in the first nine months was up around 15 per cent in the U.S.

Aluminum producers in the dollar area, with the decline in the external value of the U.S. currency, have a distinct advantage over producers in Europe and Japan, where smelting costs have soared and environmental concerns have brought some severe cutbacks in output.

The North American base ingot price at the end of the summer reached 55 cents a pound, up in two steps from 51 cents early in 1977. Secondary metal prices have risen in line. The market strength has come from active car, truck and aircraft industries, a high level of housing starts, and heavy demand for consumer products of many kinds. Some sheet products have been in short supply in the U.S. this autumn.

However, European and Japanese base ingot prices have been around 63-65 cents (U.S.) a pound equivalent, and Canadian domestic markets have been relatively sluggish. But because of the price differential, very little metal has moved from Europe or Japan (continuing surplus areas) to the U.S.

The Canadian smelting industry is based in Quebec and British Columbia because hydro power is available in large quantities at stable rates. Fabricating plants are spread across the country in the major population centres. The smelters sell a good majority of their ingot to the U.S. and other foreign markets, while the fabricating plants concentrate on the needs of the domestic market.

The floating-down of the Canadian dollar in 1977 and 1978 had an immediate effect on the Canadian primary industry's competitive costs. Just as U.S. demand began to climb, the Canadian dollar moved down against the U.S. dollar, compensating for wage costs which had earlier tended to get out of line in Canada.

Satisfied

In this environment, Canadian primary producers say they are generally satisfied with the present level of 55 cents (U.S.) for ingot though they see uncertainties ahead if more capacity is required to meet growing demand in the near-term. Plant replacement costs have doubled in the past four or five years, and depreciation rates based on historic cost are unreasonably low, argues the industry. The higher profits now being shown are really illusory because of continuing high inflation.

If world demand grows at an average annual 4 per cent, theoretically the market would be in balance by 1980, because little new capacity is coming on stream. But further price increases are necessary if smelting expansions are to go ahead even where favourable energy costs are available.

Of total Western installed smelting capacity, about 53 per cent is based on hydro power, 25 per cent on coal-fired electric power, 19 per cent on oil and gas, and 3 per cent on nuclear-generated energy. Japanese smelters have suffered the most from the leap in oil prices since 1973 because they are 80 per cent reliant on oil.

The cheap energy areas of the world could host some new aluminium smelters in the future but progress may well be held back because of lack of infrastructure in those countries. Thus the Canadian industry argues with some conviction that the remaining developed areas where ample hydro resources remain will play a major role in the increases of capacity required to meet growing world demand.

Canada is the world's third largest producer of aluminium after the U.S. and Japan. The Canadian primary industry consists of Alcan Aluminium, based in Montreal, with nearly 1m tons capacity in Quebec and British Columbia, main rolling mills in Ontario and fabricating plants across the country; and Canadian Reynolds Metals, with 175,000 tons capacity and main rolling mills also in Quebec, and fabricating plants in the main population centres. Kaiser has no smelting capacity in Canada but operates at the fabricating level.

The Canadian smelters are based on hydro power—captive entirely in the case of Alcan and representing an investment of \$2½bn in energy alone. The whole aluminium industry, including independent fabricators, employs about 50,000 people directly, and is the mainstay of several important towns and cities.

Expansion of Canadian rolling mills and fabricating plants is mainly tied to development of the Canadian market, though the possibility of General Motors building a castings plant in Eastern Canada remains active. This would be of North American scale. The Federal Government is committed to a grant of about \$58m towards the total cost (reported at about \$500m) if the castings plant is located in Quebec. Federal grants are available for slow-growth high-unemployment areas of the country.

The Quebec Government has also promised its own subsidy, but General Motors has insisted it has not yet decided finally whether to go ahead with a plant at all. It is believed GM would prefer to locate such a plant near Alcan's Beauharnois smelter west of Montreal, in which case it would have access to alternate supplies of metal from Alcoa and Reynolds just south of the border, but in the same geographical area, if necessary.

But some argue that it should be located near the big Arvida smelter of Alcan, 150 miles north of Quebec City. The final decision may yet turn on whether GM and the other large auto companies are ready to back aluminium-alloy engine blocks for smaller cars in the mid-1980s.

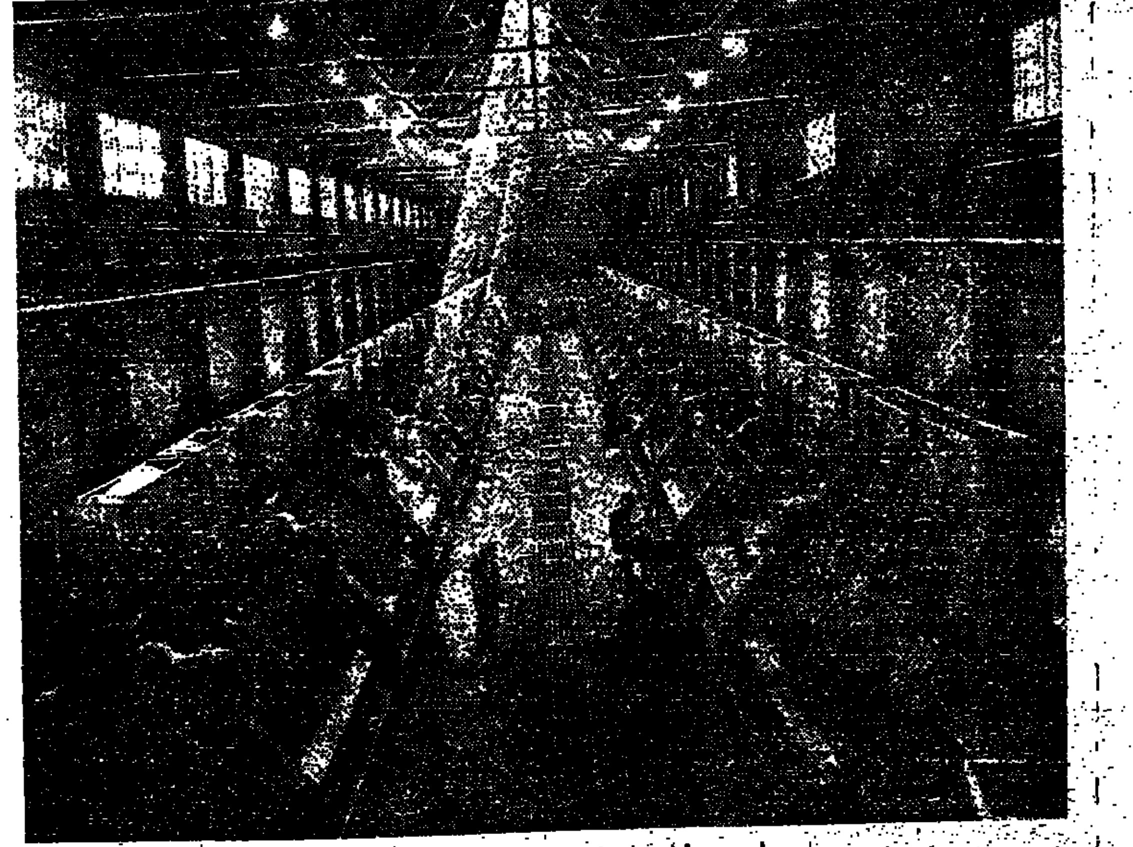
At the smelting level, Alcan's \$200m Grande Baie smelter south of Arvida is going ahead, and the steelwork for the first 63,000 tons potline has been erected. This first phase will include infrastructure for further potlines to be added later in the 10-year modernisation and rebuilding programme for the whole Arvida smelting, fabricating and chemicals complex.

Engineering is being done on the second 63,000 tons potline, though a decision has not yet been taken. Alcan has ample power available at Arvida for expansion of its existing 465,000 tons capacity plants. It does not now use all the hydro power it owns in the area, selling some to municipalities. However, under agreements with Hydro-Quebec, the provincial power utility, Alcan will "draw back" power being sold outside and use it for smelting purposes once Hydro-Quebec brings in the \$16bn James Bay hydro project.

Expansion

Because of the strength of world markets, Alcan is also closely looking at expansion of the Kitimat smelter and hydro power plant in Northern British Columbia, where it has almost 300,000 tons ingot capacity. This will require building a new 10-mile tunnel through a mountain range and an increase in powerhouse capacity and transmission facilities. The increment in ingot capacity might be 100,000 tons.

Altogether, the Alcan group in Canada has installed 3¾m kW of hydro power. It believes its decision to develop the Kitimat power 20 years ago has been entirely justified by the world energy crisis of 1973-74 and what has happened since to the cost of non-hydro power. In Quebec it has agreed to higher water taxation, but this is geared in future years to Hydro-Quebec's base industrial rate.



Crustbreaking in Alcan's Arvida works.

The company has signed new agreements on bauxite mining with the Jamaican Government, and has reorganised its world-wide raw materials, shipping, smelting, fabricating and marketing activities on an area basis. It is offering engineering and marketing services in many other countries and recently completed a smelter feasibility study for Iran. It has sold 60,000 tons of ingot to China this year, and is closely watching that market for the future.

The Reynolds smelter at Baie Comeau on the St. Lawrence takes its power from Hydro-Quebec but is regarded as in a strong position from the cost point of view. The possibility of Reynolds adding new potlines to the present 175,000 tons yearly plant is active. Most of the Baie Comeau ingot moves to the U.S. Reynolds fabricating system.

In Quebec and British Columbia, the tone in labour relations is set by Alcan because of the scale of its operations in both provinces. Alcan's labour contracts at the Quebec smelters (four with capacity of nearly 700,000 tons) run to the end of next May and the Kitimat contract runs to October 1980. Difficulties cannot be ruled out in Quebec next year.

Generally the industry is expecting another good year in 1979, though the growth in North American demand may slow, especially if President Carter's economic measures bite into U.S. growth. It sees overall world demand as growing about 4 per cent or slightly more, especially if European and Far East markets pick up.

R. G. Gibbens

MOTORS

Attracting U.S. investment

FORD MOTOR CO., through its Canadian subsidiary, Ford Motor Co. of Canada, was given C\$68m last August to build a C\$533m engine plant at Windsor in southern Ontario.

This outright grant of money to entice north of the border a plant that might have gone to the U.S. served notice that Canada is getting into the incentive game to lure some of the C\$40bn the North American motor industry intends to spend over the next seven years to meet fuel economy requirements and maintain pollution control and safety standards.

The Ford grant was the result of an agreement between the Canadian federal government and the Province of Ontario. After some initial bickering (in public) about who was going to pay how much, it was agreed that Ottawa would contribute C\$40m and the province C\$28m.

Ford had asked for C\$75m. It claimed that much was needed to cover the additional cost of building in Canada instead of the U.S. where costs are lower. The losing American State in this instance was Ohio.

The deal also brought a howl of outrage from those Canadians already angered by an apparent lack of new investment in Canada by the North American car makers, particularly in relation to the size of the Canadian market. Last year this accounted for 8.4 per cent of North American vehicle sales.

They argued that Canada was not getting the fair share of new motor industry investment they claimed was implicit in the Canada-U.S. Auto Pact of 1965. The pact provided for the rationalisation of the industry in both countries and permitted duty free entry of new vehicles and original equipment parts from each country.

Safeguards were included for the Canadian industry, made up of subsidiaries of the U.S. Big Four. Production in Canada was to match sales in Canada and 60 per cent of Canadian production to have Canadian content. Opponents of the Ford agreement contended that new investment should come to Canada by right, not by incentive.

The Ford move also brought an intervention from Washington. It protested against the use of national treasury funds to lure industry, although it did not mind provincial incentives. It was apparently mindful of the fact that U.S. States have also engaged in a bidding war to attract new industry, as in the case of Pennsylvania and Volkswagen, or Ohio and Honda.

The significance of the incentives granted to Ford has not been lost on other vehicle makers. They too have been anxious to get at the funds which are available from Ottawa and the provinces for new plant locations.

Ontario, where the bulk of the motor industry is, has declared it has no intention of withdrawing from the bidding race. While it would not compete with sister provinces for new plants, it would do everything possible to gain a plant from a U.S. State or a third country.

The province has also stated it will not be deterred from approaching the federal Government for further cash grants. A spokesman said: "Cash grants appear to be a necessity. If anything we'll be broadening the scope of that activity. We are in a competitive game."

A motor industry task force set up by the federal Government to look into future investment in the industry has urged Ottawa to take immediate steps to improve the climate for new investment in this sector.

Although southern Ontario is strategically located for new plant sites because of its proximity to Detroit, other provinces — such as Quebec, Manitoba and British Columbia —are not just sitting on the sidelines.

Aluminium

Even while the Ford negotiations were under way, General Motors of Canada had received an offer of C\$80m to locate a C\$400m aluminium die-casting plant near Montreal. Ford is considering an aluminium foundry project which could go to Quebec.

General Motors is proposing a diesel engine plant and an assembly operation for Canadian locations providing grants are available. The diesel plant could go to Ontario, the U.S. or a third country; the assembly operation, possibly of light trucks, could go to Ontario, British Columbia or a U.S. site.

The many proposals for new plants has served to deflect for the moment criticism in Canada of the Canada-U.S. vehicle agreement and the recurring Canadian deficit in trade in this sector between the two countries. In only three of the years since the pact has been in existence has Canada had an overall surplus.

While most people—and certainly the vehicle makers—agree that the pact has been beneficial to both countries the contention of critics is that Canada has been short-changed, especially in the area of parts manufacture and research and development.

There is no strong push for a renegotiation of the pact, although the demand is often made, but under the agressive prodding of Canadian vehicle parts makers the federal Government has come under strong pressure to induce the Big Four to place more parts work and R and D work in the country.

Last year Canada had a trade surplus with the U.S. of C\$2.1bn in vehicles (80 per cent of Canadian production goes to the U.S.) and a deficit of C\$3.1bn in parts, resulting in an overall deficit of C\$1.1bn. Since 1965 the cumulative total of the Canadian vehicle trade deficit now totals more than C\$11bn. This has occurred mainly because the pact encouraged vehicle assembly in Canada. Assembly requires more workers than parts manufacturing and therefore provides more jobs.

In June the federal Government decided on yet another study of the vehicle industry in Canada. It appointed Mr. Simon Reisman, former Deputy Finance Minister and one of the original negotiators, to report on the development of an internationally competitive Canadian motor industry, particularly in view of the investment decisions to be made over the next few years.

The Government wants a balanced growth in the industry. With Canada now accounting for close to 10 per cent of that market, it feels that Canada should be able to look for new investment reflecting the importance of the Canadian market.

Mr. Reisman's examination covered the nature of ownership and control of the industry in Canada (all foreign-owned), research and development activity (practically none) as well as relations with producers outside North America. Their cars, on which there is a 15 per cent duty, accounted for about 18 per cent of the total Canadian market of almost 1m cars last year.

The Reisman report, released in the latter part of November, came down solidly in favour of developing a strong vehicle parts industry in Canada, backed by government loans and guarantees for expansion and research and development. He said Canada had little chance of attracting any major vehicle assembly operations for the North American market and had no alternative but to develop its vehicle parts industry to compete on a world scale in international markets.

Mr. Reisman said that the time was not now right to renegotiate the auto pact as Canada might lose more than it would gain. His report also contained a warning about the race to attract plant to Canada. The use of federal Canadian funds, he said, risked antagonising the U.S. and might court the imposition of countervailing U.S. duties against products from plant built with that sort of help.

Ken Romain

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MINING

Rising optimism as prices firm up

THE HUGE mining and metals industry — stretching across Canada is feeling more optimistic as 1978 comes to an end, due to the recovery in most non-ferrous metals prices, rising hopes for the role of coal, and strength in precious metals. There are also signs of a more favourable tax regime from Governments.

In exploration, the centre of excitement continues to be Northern Saskatchewan, where the uranium search has reached fever pitch. Many European companies have interests in potential new mines or properties in the exploration or development phases.

But there are deep problems in nickel, and the world oversupply may well last another year. Inco's main Sudbury mining operations were shut down in August because of mounting inventory and low prices, and then in September the United Steelworkers came out on a long strike.

Although Inco could ship nickel from inventory, its copper was held up by a strike at the big Gaspé Copper mines and smelter, controlled by the Noranda Group, in north-eastern Quebec.

The rise in the free market gold price to over $200 (U.S.) has brought some new life to the old Northern Ontario and northwestern Quebec gold mining areas, which are producing at an annual rate of nearly $500m. The Noranda group is planning to develop the Chadbourne Hill property near the town of Noranda, Quebec, to small-scale production. There are other small-scale properties known for many years, but even at current metal prices, profitable operation is doubtful because of the fast rise in costs.

The excitement in Northern Saskatchewan's uranium belt continues despite signs that the world uranium price has reached a plateau of US$40-plus per pound of oxide for new contracts. The industry now believes the Midwest Lake find by a group headed by Esso Minerals (Exxon) may well prove one of the world's largest and richest known uranium deposits.

Another favourable factor was last summer's Bayda Report, commissioned by the Saskatchewan Government, which recommended that the French-owned Amok company should be allowed to go ahead with development of its Cluff Lake uranium mine, subject to strict environmental and social controls. The mine would come into operation in the first phase in 1980-81, assuming all required Government consents are forthcoming in the next few months.

Virtually every major Canadian and international resource company is represented in the North Saskatchewan uranium search. There is no sign that the federal Government's new rules saying any new uranium mining operation must be Canadian-controlled have discouraged exploration or development. French and West German interests have been conspicuous in Northern Saskatchewan for several years.

From the drilling information disclosed so far on the Midwest Lake deposit by Esso Minerals and partners Bow Valley Industries and Numac Oil and Gas, it is clear that mining operations could start in 1984-85, and would have a 25-year life assuming annual output of around 10m pounds of oxide. Cost of development is estimated at $200m or more. Total tax and royalty on production is being put at around 70 per cent.

Midwest Lake is the largest *of a number of Saskatchewan* uranium finds. Some mining people are highly optimistic and claim 10 mines could be operating in the province by the mid-1980s, making Saskatchewan a producer in the world league and more important relatively than Ontario and its Elliot Lake uranium belt. However this seems on the optimistic side.

But reliable estimates show the province already accounts for about half of Canada's total uranium reserves, measured, indicated and inferred of nearly 600,000 short tons (including Midwest Lake).

Saskatchewan now has two mines operating — Eldorado Nuclear and the Gulf Canada mine at Rabbit Lake—and two in development: Amok's at Cluff Lake and another at Key Lake in which the West German Uranerz group participates.

The provincial Government, determined to increase its presence in the uranium industry, directly participates in more than 100 joint-venture exploration or development projects with the private sector. Also it can acquire an equity interest in any property bought after March 1, 1975.

Projects

The Midwest Lake discovery is located on about 1,440 acres, one mile wide and six miles long, on the Pre-Cambrian Shield between Lake Athabasca and the Wollaston Lake Fold. Besides a high average uranium content, significant values of nickel and silver have been reported in the ore. The location is 185 miles south east of Uranium City.

Cenex, Toronto, Gulf Canada, and Asamera Oil, Calgary, are among those with active new projects either based on new finds or on bringing old properties back into production. All are near existing milling plants. The cost of Saskatchewan exploration in 1977 was probably around $30m, and this year has risen to somewhere between $50 and $100m.

However, there are risks of delays in mine development from new environmental and health rules being written after the Bayda Report, possible impact of public fears of unrestrained uranium mining, and inadequate solutions to the problem of nuclear waste. The latter issue has been given less attention in Canada than in the U.S. and Europe.

Mining and metals account for well over one-quarter of Canada's export earnings, and governments everywhere have recognized over the past two years how important the industry is to the balance of payments. The punitive taxation imposed in British Columbia at the time of the last boom in 1973 has been repealed and modified and there is hope that both provinces and the federal government are well on the way to agreeing to a more liberal approach to taxation. The Federal budget of Nov. 16 brought an increase from 30 per cent to 100 per cent of the write off for federal tax purposes of development expenses and of the cost of new mining town sites.

The industry does not see another world crisis in commodities coming in the foreseeable future. It is keenly aware of new sources of non-ferrous metals and other minerals being developed in other parts of the world where costs are lower.

Recovery in copper, lead, zinc and molybdenum prices, and strong gains in cobalt, silver and gold have offset partly the gloom in the nickel market. Silver is produced mainly as a by-product of zinc, and as zinc demand picks up, more silver is available for marketing.

In Quebec-Labrador, iron ore operations began again in the autumn after a long summer strike, and a second price increase has gone into effect. The strikes at Inco and Gaspé Copper certainly helped the copper price situation, but many in the industry believe the price recovery is broader-based and will be maintained if President Carter's dollar-defence measures do not stifle U.S. growth.

While Canadian dollar devaluation has restored the competitiveness generally of the Canadian mining and metals industry, there is still extreme caution in undertaking new large capital investment projects at present prices. This does not prevent the recent speed-up in exploration in most areas of Canada gathering pace. The Northern pipelines will open up large areas of the Yukon and North-West Territories to more intensive exploration in the next few years. There are many prospects for non-ferrous metals, precious metals and also critical items such as tungsten in those areas.

Upturn

Asbestos markets have been slow through much of 1978, and Canadian shipments were off 13.8 per cent in the first seven months. There has since been an upturn, and some producers have announced price increases. The fourth-quarter firming in the world market is expected to carry through into 1979. The Quebec Government is asking for powers to expropriate Asbestos Corp., second largest producer of the fibre in the province, owned by General Dynamics.

While shipments of Western Canadian coal to Japan have fallen off and prices in real terms have weakened, a new industry is opening up for the industry in Canada. Western thermal coal is beginning to move via the Great Lakes to Ontario power stations as the price of American coal has risen and long-term availability is subject to doubt.

In the East, new studies have been done of underground and undersea coal reserves in the Maritimes and several new mines will be opened in the next few years to reduce reliance on imported oil in power generation.

The potash mining industry, an important factor for the past decade in the Saskatchewan economy, has had a fairly active year and has extended its markets steadily overseas besides being a major supplier to the U.S. Premier Allan Blakeney, just re-elected with his New Democrat party in the province, has not yet given any indication how far the Government will go with further nationalisation of the mines. Small-scale potash production is being developed in New Brunswick.

The major uncertainty for the industry in 1979 is the possible impact of President Carter's dollar-defence measures on the American economy. Many companies argue that most metal prices are not yet high enough to justify new major investments. Prices will hold the key next year.

R.G.

PETROCHEMICALS

Respite from cost pressures

THE PETROCHEMICAL industry in Canada has been given a respite by the decision to postpone an increase of the domestic price of crude oil and natural gas originally due on January 1 next. As an anti-inflationary move the increase, of C$1 a barrel in the case of oil, has been deferred until July 1, with another C$1 to come on January 1, 1980.

It has been Canadian policy to bring the domestic price of oil, at present C$12.75 a barrel, up to world levels by a series of steps. The price of gas is linked to that of oil: each extra C$1 on a barrel of oil adds 12 cents to the price of 1,000 cubic feet of gas.

For the manufacturers of petrochemicals, the steady increase in the price of its main raw materials had spelt rising costs with no account taken of their market conditions and ability to pass on the increases.

In the case of their sister industry, oil refining, steady cost increases coupled with market resistance to increased prices for their products and with the loss of export markets because U.S. Government import policy favours crude oil over refined products, has resulted in extremely low profits. Canada and the U.S. have agreed this month to seek a way to help these refineries. While the petro-chemical industry is not in the same straits as oil refining, it has taken its lumps. The oil price rises are one reason.

Take the fertiliser and explosives businesses, for example, two closely related industries because ammonium nitrate is both a fertiliser and a blasting agent. Each time the cost of natural gas goes up 12 cents per thousand cubic feet, the cost of the natural gas to make one tonne of ammonia goes up by just under C$5. Ammonia is both a new material for fertilisers and explosives and a fertiliser itself. But the ammonia industry in Canada and the U.S. is being hard pressed by imports and over-capacity, and about 30 per cent of U.S. capacity has been shut down.

THE OIL OUTLOOK
(Productibility in '000 b/d)

	1979	1985	1995
Established reserves of light crude	1,286	606	196
Established reserves of heavy crude	197	104	37
Light crude from reserve additions	34	151	195
Heavy crude from reserve additions	20	76	166
Liquid petroleum gas	127	102	48
Oil sands	145	255	755
Upgrading loss	—	−5	−5
TOTAL	1,809	1,289	1,392

Source: National Energy Board.

Welcome

One small plant in Canada closed late last year and plants in eastern Canada at current gas prices have natural gas costs of $2 per thousand cubic feet or about $80 a tonne of ammonia production. The current price for imported ammonia at the U.S. Gulf of Mexico is U.S.$80 a tonne. While the plants in Canada are buffered by transport costs and the 15 per cent differential with the U.S. dollar, they welcome the relief given by the deferment of the price increase for gas.

Even the fertiliser producers in western Canada, who have been paying far less for natural gas than the eastern plants, are also resisting gas price levels. Canadian Fertilizers of Calgary, jointly owned by Canadian and U.S. farmers' co-operatives, says that it cannot afford $1.21 a thousand it pays Alberta producers for natural gas. CF, which has twin 1,000-tonnes-a-day each ammonia plants built in 1976 at a cost of $220m, must market a large portion of its production in the U.S. Midwest, where markets are being depressed by the Gulf ammonia prices. It says it can only afford 71 cents a 1,000 cu ft for gas to remain competitive.

While Alberta Gas Ethylene, a subsidiary of Alberta Gas Trunk Line of Calgary, which is building the key plant, the only major petrochemical complex now being built in Canada, has always insisted that its plant will be competitive at current prices, the fertiliser case is instructive for the Alberta petrochemical industry. Alberta Gas Ethylene plans to twin its 1.1bn lb a year ethylene plant in the 1980s, largely to serve the U.S. market. While it will have an edge in gas prices over plants in eastern Canada, and probably over new U.S. plants, it must move products a long way to markets. These are markets which are not isolated from developments in a world petrochemical industry that stands to be flooded in the 1980s with production from plants in the Middle East, the developing world, and the centrally planned economies that would rather give their natural gas away than lose foreign exchange or see their gas flared. The $1bn Alberta petrochemical complex goes into production next year, and its fate will be the key to the future shape of the Canadian industry.

A vital factor in the expansion plans in Alberta will be the outcome of the other government battle in which the industry finds itself on the sidelines. That is the current round of world multilateral trade negotiations (MTN) in Geneva. If the Canadian petrochemical industry is to expand, indeed if it is to produce at its present level on into the 1980s, it must do so with world scale plants. But, for most products, world-scale plants in Canada require access to export markets, most logically U.S. markets. U.S. petrochemical trade barriers, including tariff levels and the U.S. system of nomenclature, are high and Canada must depend on the MTN to tear them down. As Canada has not been, historically, a major supplier of petrochemicals to the U.S., it has little position in the GATT negotiations on petrochemicals. Therefore, even though the U.S. is known to have a generous offer to Canada on petrochemicals, the fate of that offer largely depends on what happens between the Americans on one side and the Europeans and Japanese on the other. Alberta knows the importance of the trade talks and has explicitly linked the possibility of increasing natural gas exports to the U.S. to a reduction of U.S. barriers to petrochemical imports as well as other industrial products produced in Alberta.

Alberta is not the only province interested in the expansion of the petrochemical industry in Canada. The two traditional locations for petrochemical production have been around Montreal, in Quebec, and Sarnia, in Ontario. Both have recently completed major expansions. However, neither is likely to be content with holding its existing strength. Quebec, for example, has been holding discussions with Gulf Canada and Union Carbide Canada, both of Toronto, on the expansion of the Quebec petrochemical industry.

The interplay of Canadian energy policies and the petrochemical industry is nowhere better illustrated than with the saga of Petrosar of Sarnia, the recently-built ethylene plant that uses crude oil for its feedstock. The company has proposed building a $550m to $1bn upgrading plant that would upgrade the heavy residual fuel oils produced by Petrosar and other eastern Canadian oil refineries, along with some heavy crude oil of the type produced in western Canada, to a lighter grade that can be used by refineries to make their normal runs of gasoline, aviation fuel and heating oil.

Alberta opposed Petrosar from the time it was planned, in part because it wanted the expansion of the petrochemical industry to take place in Alberta only. Now, the western province finds its ability to expand natural gas markets in the east dampened by the glut of heavy industrial fuels, in significant part from a plant it opposed. While the problem might be reduced by the building of an eastern upgrading plant, that would threaten or perhaps delay plans for upgrading plants in Alberta to upgrade heavy oils produced there.

The glut of heavy oils in eastern Canada could be reduced if U.S. policy on importing refined products were changed. Ottawa will have to move delicately to find a balance of interest between Petrosar, in which it has a financial stake, and in which Ontario has a vital interest as a province, and Alberta, which continues to find that Petrosar is a thorn in its side as it develops natural gas markets and petrochemical plants.

Jim Rusk

ENERGY

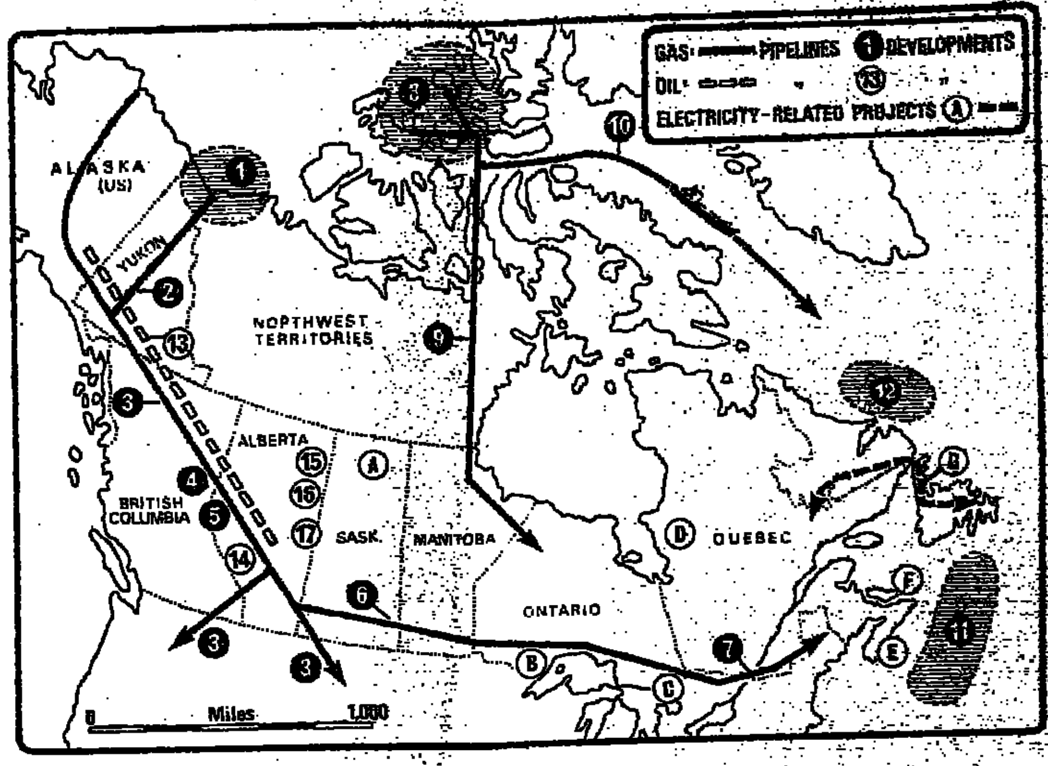
Big development programme

AN ACCELERATING programme to develop Canadian energy resources is going to cost something like C$181bn (at constant 1975 prices) between 1976 and 1990. The estimate comes from the Department of Energy, Mines and Resources. There are others that are a bit lower, but all show a similar trend. Spending on energy projects, during the period will be rising from about 4 per cent of Canada's Gross National Product to 5½ per cent—and perhaps to more in the 1990s.

The biggest chunk is for electricity generation, including the giant James Bay hydro-electric development in northern Quebec which will deliver its first power late in 1979. The long-discussed Gull Island scheme for a second power station on the Churchill River in Labrador may be coming nearer realisation. It would provide power to the island of Newfoundland by submarine cable, the surplus becoming available for sale to Quebec and, politics permitting, to the Maritime Provinces.

But in some ways the greatest interest attaches to the C$14.8bn expected to go into facilities to extract oil from the oil sands of the Athabaska and Peace River regions of Alberta and near Cold Lake on the border between Alberta and Sasakatchewan.

It is common ground that these sources of so-called non-conventional oil must be brought into play as quickly as possible, despite the cost, in order to offset the decline of the normal oilfields in western Canada. The latter, it is estimated, can yield 1.3m barrels a day of light crude in 1979, which will have fallen to 391,000 b/d by 1995, even allowing for hoped for new discoveries.



GAS-RELATED

1 Delta-Beaufort Sea gas: exploration under way.
2 Dempster Highway pipeline: long-range prospects only.
3 Alaska Highway gas pipeline: construction authorised.
4 Gas finds.
5 Gas finds.
6 Expansion of TransCanada pipeline: under debate.
7 Pipeline extension to Quebec City and the Maritimes: under debate.
8 Panarctic exploration programme.
9 Polar gas pipeline: depends on additional finds.
10 Gas transport by tanker: application soon.
11 Gas exploration on Scotian shelf.
12 Gas exploration off Labrador.

OIL-RELATED

13 Alaska Highway oil pipeline: for discussion only so far.
14 Oil finds.
15 Athabaska oil sands.
16 Cold Lake oil sands.
17 Conventional heavy oil.

ELECTRICITY-RELATED

A Saskatchewan uranium finds.
B Thunder Bay terminal trans-shipping western coal.
C Ontario uranium mines.
D James Bay hydroelectric development.
E Fundy Bay tidal power proposal: feasibility study only.
F Cape Breton coal mines: expansion planned.
G Gull Island hydro-electric proposal with undersea transmission to Newfoundland: obstacles diminishing.

Adapted from Energy in Canada, Ministry of Energy, Mines and Resources, Ottawa, 1978.

The National Energy Board (NEB), a Government agency, has therefore called for the expeditious development of the sands. The Parliamentary opposition, the Progressive Conservative Party, has done the same. The prizes are great; NEB estimates that anything from 80bn to 200bn barrels of oil could be recovered from the sands.

This year may have been the turning point for the Athabaska sands. They have been worked for some years, with doubtful commercial success, by Great Canadian Oil Sands (GCOS), a company controlled by Sun Oil of Chicago. But now, on neighbouring lands, a new and larger plant, Syncrude, has opened up: its first oil to reach Montreal was delivered by pipeline during October.

Both GCOS and Syncrude are mining plants. The oil sands are scooped up by surface mining methods and taken to a plant where the bitumen is separated from the sand by heat and then upgraded by chemical methods into a synethic oil acceptable to refineries.

Syncrude's initial capacity is 60,000 b/d, to be doubled around the turn of the year when the second half of the plant comes on stream. Adjustments are expected to raise the capacity to 129,000 b/d by 1982, and if all goes well the plant can be extended in the mid 1980s to produce 190,000 b/d. GCOS, next door, is itself expanding from 45,000 to 60,000 b/d.

Guaranteed

Both plants have been guaranteed the world price for their oil, whereas conventional Canadian crude oil for domestic sale is kept down to a price of C$12.75 a barrel. Eventually it is to rise to world levels, but as an anti-inflationary measure a planned increase of C$1 on January 1, 1979, has been put off. Rises of C$1 are planned for July 1, 1979 and January 1, 1980.

Syncrude also has been absolved from the duty to pay royalties to Alberta for the opening years. Alberta, one of the shareholders (along with the Governments of Canada and Ontario, Imperial Oil, Gulf, and Cities. Services from the private sector) will take its cut in the form of a share in the profits. If there are no profits, there will be nothing to pay.

The men at Syncrude believe that given the present world price they can at least break even. Events alone can show whether they are right. It is, however, clear that only if they can negotiate equivalent fiscal concessions will others venture into the sands. Alsands, a consortium led by Shell, has applied for permits to build a plant on the same scale as Syncrude, but must first settle the royalty question with Alberta. Ottawa has premised the world price.

The same considerations apply to Imperial Oil (Exxon) which wants to extract oil from sands near Cold Lake, where the deposits are well below the surface. The C$4bn proposal would involve pumping steam down to the bitumen to liquefy it before bringing it up, with subsequent upgrading facilities along the lines of those at Syncrude. The Alberta regulatory authority expects the Alsands and Imperial plants (or something equivalent) to be working by 1986, and new plants subsequently to come on stream every three to four years, with a capacity of 210,000 b/d each. The National Energy Board is a bit less sanguine. By 1995, according to its forecast, the sands will be producing 755 b/d or 54 per cent of total Canadian oil output.

South of Cold Lake, in the Lloydminster area, maybe 15bn barrels of so-called conventional heavy oil have become the object of some pretty sharp oil company infighting. Heavy oil, only slightly less viscous than the stuff in the oil sands, is normally used to make asphalt. It can be upgraded into oil acceptable to refineries, though at a cost of some $6-$8 a barrel.

Husky Oil, recently brought under the control of Alberta Gas Trunk Line and its pipeline king, Mr. Robert Blair, has been angling for fiscal incentives to make an upgrading plant viable; so have Pacific Petroleums, Gulf, the Government-owned PetroCanada and Saskoil, owned by the province of Saskatchewan. For a start it seems improbable that more than one plant will receive the National Energy Board's approval.

Baulked by Mr. Blair in its attempt to take over Husky, Petrocan came back by acquiring control over the much larger Pacific Petroleums, with revenues five times as large as its own. The obvious reason was a wish for cash flow to finance the Arctic venture. But in addition Petrocan may have felt that if it becomes large enough, Mr. Joe Clark, the Conservative leader, will have difficulties selling the company to private shareholders as he intends to do if he wins next year's elections.

Whereas conventional oil will be running down in spite of some encouraging finds at West Pembina, in Alberta, there is something like a glut of natural gas. Remaining marketable reserves increased from 65,000bn cubic feet in 1975 to 71,000bn cubic feet in 1977, compared with production of some 3,000bn cubic feet a year. The Geological Survey of Canada estimates that there is a 50:50 chance that the country has altogether 250,000bn cubic feet of gas found or to be found, and that 180,000bn cubic feet are there with a 90 per cent probability.

Much of it is in very inaccessible areas. Panarctic (45 per cent owned by Petrocan) already has some 16,000bn cubic feet on Melville Island in the Arctic. Dome is drilling in the Beaufort Sea and has found something, though nobody is saying what; Imperial has a quantity in the Mackenzie Delta too small to warrant a pipeline of its own; Eastcan is drilling off Labrador in waters made unsafe by icebergs. Imperial will do the same in 1979.

Moreover, proven reserves are increasing in Alberta and British Columbia where the difficulties are less formidable. Panarctic is ready to make an application to be allowed to moor a floating liquefaction plant off Melville Island and ship gas by tanker through the North West Passage to Canadian markets. With 20,000bn cubic feet it could think of a pipeline.

But at the moment demand is not keeping up with potential supply from the established fields. Alberta is extremely anxious to be allowed to increase exports to the U.S. but cannot do so without NEB licences. The Board is unlikely to make a decision before completing its current assessment of demand and supply, maybe in February.

In the meantime the Department of Energy in Ottawa is pushing an alternative proposal not to export the gas but to extend the existing pipeline system beyond Montreal to Quebec and the Maritime Provinces and let them share in Canada's wealth of energy. Since the export price is well below the domestic price, neither Alberta nor the oil companies are enamoured of the proposal.

However, the proposal does appeal to nationalist sentiment and has been espoused by Mr. Blair, who has a fine political nose. A possible compromise has been taking shape under which Alberta agrees to increased sales to eastern Canada in return for authority to step up deliveries to the U.S.

Acumen

Mr. Blair showed his political acumen in the campaign that led to a consortium headed by his company being chosen to build the pipeline intended to take Alaskan gas to the U.S. proper, along the Alcan Highway. Many doubts still overhang that $11bn proposal, though the most serious have been removed by the passage in October of the U.S. Energy Bill. It should ensure that there is a market for the Alaskan gas, though nobody can be quite sure when. Mr. Blair insists that the pipeline will be delivering gas to U.S. homes by the winter of 1983-84.

If Alberta has its way the southern sections of the big pipe will be laid first to enable Alberta to pump to the U.S. increased exports of its own surplus gas. There is a balance of payments argument for doing so but Canada may insist on a U.S. undertaking subsequently to repay the gas with gas from Alaska. The opposition has come out in favour of that idea, which would fit in with establishing Canadian attitudes to energy matters.

Exporting electricity, for instance, always tends to arouse hostility, and the whole trend in the 1970s has been to try to shelter Canadian industry for as long as possible from the rise of energy costs. It has been suggested that the fierce Canadian winter is one reason why energy exports always are liable to arouse passions and fears in Canada.

The truth of the matter is that though oil exports will almost certainly cease in 1982, in the mid-1980s Canada will still be able to produce between 1.6m and 1.2m b/d of its own oil, or more than half its forecast consumption of 2.1m—2.6m b/d. And looking farther down the line, the Bank of Nova Scotia forecasts that in 1990 Canadian exports and imports of total energy will almost balance. That is less warming thought than the surpluses of between C$1.2bn and C$1.3bn in the past few years. But it should be enough to save Canadians from having to freeze in winter.

W.L.L.

AVIATION

Choosing a fighter

THE CANADIAN Government has announced its short list of aircraft for its C$23bn fighter acquisition programme, reducing six contending aircraft to two and ruling out a mixed fleet. It is now entering into draft contract discussions with the prime contractors. Industrial offset arrangements will be a major determinant in the selection of the winner.

The finalists are Canadian versions of the General Dynamics CF-16 and the McDonnell Douglas/Northrop CF-18A, the Canadian version of these aircraft.

Ottawa let it be known that only these fighters would meet its need for 130-150 aircraft within its set budget and for its domestic and European military commitments. It eliminated as being too expensive the Grumman F-14, McDonnell Douglas F-15 and the European Panavia Tornado, while the Northrop F-18L, which is still in the design state would come into service too late.

All contenders in the early stages of the competition had said that they were ready to place offset work in Canada up to the full value of the contract, including final assembly and testing. Some of this work is expected to go to non-defence industries but a buoyant Canadian aerospace industry expects to be a prime recipient. It is already busy with civil programmes of its own, and is watching closely to see what benefits will come its way.

The final winner will not be announced before next June.

When announcing the two finalists Mr. Barnett Danson, Defence Minister, said that the F-16 has been selected by five NATO countries in Europe and while it does not have the sophistication of the CF-18A, it is the only aircraft at this time which could provide the number required for the money available. If selected it will be fitted with two Sparrow radar-guided missiles.

The CF-18A is larger and more expensive than the CF-16 so fewer could be acquired, but being twin-engined it has good potential for the future and could be fitted with new systems to meet future demands both at home and in NATO.

The new aircraft will replace the CF-104s now in Europe, the CF-101 Voodoo in Canada, and the CF-5 used for air support. Both the CF-104 and CF-101 are to be phased out in 1983 and the CF-5 in 1985, when it will be converted into an advanced trainer.

Of the new aircraft, 54 are to be based in Europe, 35-40 in Canada for air defence, and 24 for service in NATO northern flank operations in Norway.

Mr. Danson said that discussions could now begin during which the Canadian industry will be able to take part to ensure an industrial benefit to Canada. Industrial benefit to offset the purchase was a requirement spelled out in the request for proposals on the new aircraft. The Government has let it be known that it does not want merely a round of metal bashing which will stop when the programme is completed. It wants more permanent programmes, particularly in the area of advanced technology transfers. It is looking for projects that can be developed in the country for both domestic and export markets. Whatever is achieved in this area, the new contract will mean more business for the Canadian aerospace industry at a time when its assembly bays are already filling up with work in process.

Part of this work has come from manufacturing components for the Aurora long-range patrol aircraft for the armed forces purchased from Lockheed. The Aurora is a hybrid using Lockheed's P-3C airframe and the electronic surveillance equipment of Lockheed's Viking aircraft.

The cost is $1bn for 18 aircraft with Lockheed doing final assembly and testing in the U.S.

Lockheed is committed, however, to placing almost all of this value back in Canada through the distribution of industrial benefits over the next 15 years, $400m of it by 1983. Component work remains in Canada and will share in any future sales of the P-3C up to at least 150 aircraft, including the 18 purchased by the Canadian forces.

The industry was disappointed because the Aurora offsets made little provision for permanent technology transfer leaving it with the role of a fabricator of parts for assembly elsewhere. Lockheed had offered the installation of the electronic avionic package to Canada but that would have entailed an added cost which the Government was not willing to pay. With the fighter programme the Government appears to be ready to pay the premium for final assembly and testing even though it may mean buying fewer aircraft than if they had been purchased off the shelf.

The Canadian industry is aware that it is not practical for it to try to fill all of the needs of the Canadian market and is, therefore, hoping to obtain some specialised transfer of high technology that can be maintained as continuing programmes to end the up and down cycles with which it has had to contend in the past. It still remembers the collapse that followed the cancellation of the Canadian-designed Avro Arrow fighter programme in 1959, when 15,000 workers were thrown out of jobs almost overnight.

Since then the industry has built itself up again with the help of military productions sharing with the U.S., and the development of products for domestic and export markets.

The stimulus has to come not only from the military programme but from civil projects as well—the Challenger wide-bodied business jet of Canadair, the Dash 7 turboprop airliner of de Havilland Aircraft of Canada, continuing demand for the small turbine and jet engines of Pratt and Whitney of Canada, and sub-contract participation in the U.S. commercial airliner market.

Lockheed and Boeing have placed significant contracts connected with their new commercial aircraft with Canadian firms. Douglas Aircraft of Canada which produces the wings for the McDonnell Douglas DC-9 and DC-10, will also make wings for the new DC-9 Super 80 and the DC-10 aerial tanker for the U.S. Air Force.

A recent industry task force report stated the Canadian industry has undergone a gradual conversion from an inward-looking supplier of military products to a primarily export-oriented industry producing largely commercial products that are internationally competitive.

Government support made available the loans and guarantees for the development of the Challenger and the Dash 7. The Challenger, with 108 orders and 25 options, passed a milestone of its development early in November with its first flight. Deliveries are to begin next year.

Sales of the Dash 7 in the early stages were disappointingly slow probably because it appeared at a time of a world wide fall off in aircraft orders. But in October, the company announced orders and options for 20, bringing total orders to 32.

Total production in the Canadian aircraft industry last year was more than $800m of which 80 per cent went to export markets. About 100 companies are engaged in manufacturing work. Production, not counting expected benefits from the new fighter, is expected to rise to $1bn by the early 1980s employing a work force of 32,000, as against 25,500 in 1976.

Ken Romain

FISHING

Record profits

THE TIDE has turned for Canada's ocean fishing industry. With prospects of the country becoming the world's leading fish exporter, fish company shares have suddenly taken on glamour stock proportions.

Increased prices and landings have produced record profits. Takeovers and mergers are creating stronger, more concentrated corporate groupings. Vast capital investment programmes are contemplated and, for the first time in decades, fishing rates national political attention.

As recently as 1974, the industry reached its lowest ebb. On the West Coast, once prolific herring stocks were virtually wiped out. Lucrative salmon and halibut fisheries helped keep that industry afloat, but even these stocks were under strong competitive pressure from other fishing nations on the East Coast. The Atlantic fishery was reduced to near destitution by low prices and over-exploitation. Only about C$130m in federal price support payments and another C$200m in capital aid to fish processors, kept the industry alive and maintained employment for its 89,000 workers.

The turnaround began two years ago when Canada adopted a 200-mile offshore economic zone, assuming management control over 2m square miles of ocean and Arctic waters which had previously been the happy hunting ground of nearly 20 nations. It moved quickly to reduce drastically the catch limits on almost all species. In the first year quotas in the northwest Atlantic were reduced to 650,000 tons from the 4.5m tons landed only a few years earlier.

The subsequent improvement in the industry, and the likelihood that by 1985 fish exports could be worth almost as much as the C$1.8bn of wheat exported in 1978, has sparked enormous controversy over the corporate and political direction of the industry.

The mood is such, however, that the Federal Fisheries Minister, Mr. Romeo Leblanc, was able to say recently that "there has never been so much money, never such stability, and rarely such optimism on the fishing grounds."

Pacific salmon have become the single most valuable species and the success of a federal salmon enhancement programme suggests that stocks may eventually double. A four-fold increase of Pacific ground fish is predicted.

On the East Coast, landings were up 23 per cent in the first nine months of this year and value increased by 49 per cent to C$263m. Processing increases the landed value two or three fold.

Mr. Leblanc has said that the improvement has produced side benefits, apart from the mere increase in revenue.

"There is a new feeling of stability about fisheries. Catches are more reliable, plant work steadier and stretching over more of the year. There is growth in fishermen's organisations. Fishermen have gained status, no longer is their industry an employer of last resort."

While they agree with Mr. Leblanc's assessment, the premiers of some of the coastal provinces and, certainly, the heads of most major fish companies, put a somewhat different interpretation on what has so far been achieved and what should be done in the future.

They think the Federal Government, which constitutionally has responsibility for fishing, left it extremely late before curbing excessive fishing by foreigners.

After having imposed the 200-mile limit, they think, Ottawa should have moved quicker to draft and fund a major fisheries expansion programme. The East Coast trawler owners, particularly, would like permission to get into large, freezer trawler operations, using them to cut costs and to improve productivity, both in exploiting new species previously not harvested by Canada and in the pursuit of traditional species in distant, northern waters.

To some extent they have been supported by the leading fishing provinces, Nova Scotia and Newfoundland. Some doubts exist in these provinces, however, about the desirability of adopting the kind of vessel which had largely led to the previous overfishing. But there is full agreement on the need for a strong, private enterprise presence in an industry which, they feel, Mr. Leblanc is trying to place under Government influence. His policy has been to reduce immediate expectations, to concentrate on restoring depleted stocks and, most important, to see that future benefits are shared by individual fishermen and boat owners as well as the big, mechanised, offshore trawler owners and fish processors."

Angered especially by the Minister's encouragement of greater unionisation among the fishermen, companies like Nickerson-National Sea Products, the result of a recent merger, have launched an advertising campaign stressing the need for increased Canadian catching effort and a stronger, private industry involvement in international marketing and product development. Without it, the companies argue, many of the benefits of the 200 mile limit will be lost.

At this stage, with round one barely over, it seems Mr. Leblanc's viewpoint is winning. He says many an unjustified hope associated with the advent of the 200 mile limit seems to have dissipated. The provinces are increasingly coming to share his position. And certainly, the fishermen generally support him.

While some larger and more productive vessels will certainly be needed, particularly if Canada is to develop the northern cod stocks of Hamilton Bank, the industry probably will not be allowed to acquire a large fleet of big freezer trawlers.

The example of the squid fishery explains why. An allowable catch of 100,000 tonnes of squid is possible on the Scotian Shelf off Nova Scotia, a third of it reserved for the inshore fleet. Five freezer trawlers could harvest and process the rest, creating only very few jobs and adding to the problem of the so-called by-catch, meaning fish of other species caught along with those required.

Alternatively, the squid could be harvested by 100 modern, 12 man squid jiggers, vessels which lower and raise 36, 30 metre lines to catch the fish on individual barbs. Fish caught in this way command a much higher price in the Japanese market, the principal sales area for squid.

With a 16 per cent unemployment problem in some of the eastern fishing provinces, it's obvious which alternative Ottawa will go for.

Constitutionally, Ottawa controls the Canadian fisheries. Naturally there have been suggestions among fishing provinces that they should seek this power for themselves as part of the constitutional reforms under somewhat desultory discussion. Reaching agreement in an area of so many conflicting issues will not be easy.

One argument against a deal of this kind is that Ottawa must handle the age old dispute with the U.S. about the delimitation of national fishing waters. During the summer it erupted into the so-called fish war. Canadian and U.S. fishermen are still barred from fishing in each other's waters and Canada recently hardened its position by extending the territory it claims on the East Coast by another 25 miles.

Third party arbitration may be the only way out of the impasse.

Lyndon Watkins

STEEL

Industry in good shape

WHILE MANY of the world's steel plants have been running at two-thirds of capacity, the largest Canadian mills have been going full blast and posting solid profit gains. Their success can be attributed mostly to good planning, surprisingly good domestic sales, and the deflated dollar that has boosted exports and kept out imports.

Order books indicate that the industry will be in good shape until the end of the first quarter of 1979, but it is difficult to project demand for the rest of the year and into 1980. The economy seems headed for slow growth and the pipeline projects the companies hope will spur a new round of capital spending, may not get early approvals.

Moreover, Peter Gordon, chairman of the Steel Company of Canada, has been saying for several months now that the industry is entering "what is probably the most difficult and challenging period in its history." Although profits look good, demand has been growing slowly, costs have risen quickly, and operating margins have slipped. Despite the slippage, though, the big companies are currently well in the black. Toronto-based Stelco, Canada's largest producer, reported a 22 per cent increase in sales to $1.34bn at the end of nine months of 1978, and boosted its profit by 33 per cent to $92.9m. Management told shareholders "the outlook for the fourth quarter continues to be optimistic."

Excellent

The second largest producer, Dominion Foundries and Steel of Hamilton, Ontario, stated that the "outlook for the balance of the year remains excellent, and it is expected that the strong demand will continue through the first quarter of 1979." Dofasco's nine month profit climbed 35 per cent to $64.7m on an 18 per cent increase in sales to $799m. Its shipments of mostly flat-rolled products have been rationed to customers.

Algoma Steel Corporation, of Sault Ste. Marie, Ontario, a close third in terms of output, has been undergoing a steady turnaround in recent years and its nine month gains were even more impressive. On a 23 per cent increase in sales to $618m, profit more than doubled to $46.5m. Algomar also said strong demand is expected to continue through the first quarter of 1979.

These three companies, all shareholder-owned, account for 75 per cent of domestic capacity, so the industry is basically in good health even though Government-owned mills in Nova Scotia and Quebec have been heavy losers—and one privately-owned mini-mill in Quebec went bankrupt last year. The industry produced 14.5m tons from its 19m tons of capacity last year, and operating rates have been higher in 1978.

This year strong demand for flat rolled products has come from the automobile, appliance and other light fabricating industries. Small diameter pipe has also sold well because of the high level of oil and gas drilling activity in the west. And although domestic need for structuals has been soft, Canadian fabricators have been moving tonnage into the U.S. with the help of the low-valued Canadian dollar.

Most producers have operated profitably over the years by matching their expansion to the growth of the domestic market, and by adopting the best of home-grown or imported technology. This approach is generally expected to keep the industry in a good position but a combination of circumstances has created longer-term uncertainties, a government study pointed out earlier this year.

For a start, growth of annual demand is expected to decline because of the trend to smaller cars that require less steel, the running down of benefits from the Canada-U.S. pact for free trade in automotive products and the improbability of further import replacements. Growth in demand during 1980-85 is estimated at 3.3 per cent a year, compared with 5.8 per cent average annual gains from 1956 to 1975.

The report also stated that Canada will have "a transitional surplus of steelmaking capacity to about 1980-82." Fortunately, it is also expected that "demand for steel in the U.S. will press against steelmaking capacity there when the U.S. economy fully recovers. There will then be a transitional opportunity for Canada to increase its steel exports."

Cheering as that prospect might be, the Government report concluded that the overall slowdown of demand and production could be troublesome. Without faster growth, investment would probably decline and the industry's competitive position could be lost. Competition in the years ahead may come not so much from Japan or Europe but from countries such as Brazil and Mexico, where rapid growth of steel production is planned.

Judging by the list of expansion plans, the industry has more faith in its prospects than do the civil servants in Ottawa. The three largest producers have all added capacity over the past few tough years—the most ambitious being Stelco's new $500m-plus plant on the shores of Lake Erie in southern Ontario about 40 miles from the main mill at Hamilton.

In western Canada, Interprovincial Steel and Pipe of Regina, Saskatchewan has undertaken an $80m expansion. The company is about 20 per cent owned by each of the Governments of Saskatchewan, Alberta and Slater Steel Industries of Hamilton, an affiliate of British Steel. The money-losing Quebec company, Sidbac, continues to expand.

Stelco began planning its Nanticoke plant in the late 1960s, and has delayed construction on a couple of occasions because of slack demand. But the schedule now calls for completion of the first phase of the plant by mid-1980. Finishing of Nanticoke steel will initially be done at the company's Hilton works in Hamilton.

Nanticoke will at first have blast furnace and basic oxygen furnace capacity of 1.3m tons that can be expanded to 2.5m tons relatively cheaply. It is said to make use of highly efficient steelmaking methods, including conveyor belt feed for the blast furnace, continuous casting, and extensive use of conveyor systems for the in-plant movement of slabs.

Given the medium-term outlook, Stelco has taken a calculated risk. The company believes first, that Canada needs considerably more capacity to provide steel for various energy projects—more oilsands plants, heavy oil upgrading plants, pipelines, nuclear power plants, and so on. Second, management is counting on export opportunities as U.S. steelmakers are forced to close down their unprofitable older mills.

Stelco's "green field" expansion could coincide with what economists guess will be a period of renewed capital spending spurred initially by the $12bn Alaska Highway gas pipeline to carry gas from the North Slope of Alaska to mid-continent markets. Stelco and Interprovincial Steel are the only Canadian companies capable of making large diameter pipe, and they are expected to split the bulk of contracts for the Canadian section.

Catalyst

The project is big, but its importance is seen mostly as a catalyst for economic activity. The steel needed will amount to only 4 per cent of total consumption over the time the pipe is made. But more pipe may be needed to extend a gas pipeline that now delivers Alberta gas to the U.S. mid-west, Toronto and Montreal—if any of the competing bids for eastward extensions or additional exports of gas to the U.S. are approved.

Meanwhile, new oil and gas discoveries in Alberta have to be hooked into pipelines, and work will probably begin within a few years on a third oil and mining plant (headed by Shell Canada), a major heavy oil recovery project (headed by Imperial Oil, Canada's Exxon subsidiary), and a heavy oil upgrading plant. The price tag on each of the first two projects is about $4bn.

In a country that is large and unevenly populated, there is no one market for steelmakers but rather a collection of regional markets. The largest market in central Canada is supplied mainly by the integrated producers — Stelco, Dofasco and Algoma. There are 14 Mini-mills to serve other parts of the country and imports are strong in coastal markets.

Steel imports, mainly from the U.S., have averaged about 14.5 per cent of consumption during the 1970s. Imports have generally exceeded exports, but over the past two years the opposite has been true and the industry hopes this will continue.

The low Canadian dollar has helped keep back imports but, in addition, special anti-dumping procedures have been undertaken by the Canadian Government to parallel protective measures taken in Europe and the U.S. The Canadian industry feared that offshore steel destined for Europe or the U.S. would be diverted to Canada, so a special steel task force was set up within Ottawa's Anti-Dumping Directorate.

The task force monitors imports of steel and is supposed to accelerate anti-dumping procedures and deal with them within three months. The task force uses a benchmark or trigger price system, although it does not say what these prices are or whether a proposed import deal is likely to bring a dumping charge. The resulting uncertainty has scared off foreign producers, some importers have claimed.

The U.S. trigger price system, meanwhile, has not been keeping Canadian steel or structural products out of the U.S. market. Industry officials believe the trigger prices are aimed primarily against Japanese and European producers, but they also fear that if the existing system does not work all foreign steelmakers will be subject to more restrictive quotas.

What form of protection the privately-owned Canadian industry may itself need over the longer term remains to be seen. Managers of the privately owned companies are well aware that about three-quarters of the industrial world's steel production is in government hands — and that government operations can be subsidised in many ways to provide lower-priced products.

There is a mechanism to provide for counter-vailing duties on products directly or indirectly subsidised, but has not been applied to steel imports into Canada. The industry hopes that one outcome of the GATT talks will be a code governing such circumstances.

Timothy Pritchard

ONTARIO

Signs of a slow recovery

CANADA'S INDUSTRIAL heart is starting to beat a little stronger this year. For five years, the province of Ontario, traditionally the leader in the Canadian economy, has failed to keep pace with the rest of the nation's performance.

Soaring wages and lagging productivity have weakened its industries. Its energy bill escalates as Canadian policy steadily adjusts prices to world levels. Where it was once the favoured destination of foreign industrialists looking for a plant site in Canada, visiting delegations now head to Alberta and Ontario finds it must spend millions of dollars in bidding ways to attract industry. Where its treasurer was once able to provide the richest package of government services in Canada and to build a multi-million dollar playground on the shore of Lake Ontario for a generation that was making Toronto the most talked about city on the Continent, his successor manfully struggles to hold down provincial deficits without cutting services drastically.

In short, Ontario exemplifies the problems that have come to plague the Canadian economy in the late 1970s. If it is where most of the opportunities once were, it is where many of the problems now are.

There are signs of recovery. For the first time since 1972, Ontario's growth this year will actually be higher than the national average and the performance will be repeated in 1979, according to the Conference Board in Canada, a private research foundation. It estimates that Ontario's economy is growing by 3.6 per cent this year, compared with 3.3 per cent national growth, and that next year it will grow by 3.9 per cent, compared with 3.5 per cent national growth. But the province is not yet out of the woods. Unemployment is steadily increasing—from 7 per cent last year to 7.3 per cent this year and 8.2 per cent is expected next year.

While the province is in a stronger position to take advantage of an international economic recovery than it was a few years ago, slow growth in the U.S. in 1979 and the uncertain pace of recovery in other industrialised nations mean that Ontario's goods-producing industries will probably have to wait until 1980 before showing a strong performance. Provincial economic planners concede that a number of events could upset their hopes. Canada's inflation performance will be crucial. If a poor inflation record triggers a round of exorbitant wage settlements that push up costs, the recovery in the province's competitive position that has come with the devaluation of the Canadian dollar could be lost quickly.

Furthermore, some industries in the province are faced with much higher relative energy costs than they were in the 1960s, particularly the petrochemical industry that uses Alberta-produced crude oil and natural gas for both fuel and feedstocks. However, it is not certain that the competitive edge that the industry once enjoyed has been totally lost. While the petrochemical industry now building up in Alberta has the edge over Ontario on feedstock supplies, Ontario plants are in a better position to serve large markets both domestically and in the U.S. They are located just across the border from the key states of Michigan and Ohio in the U.S. industrial heartland. "For a lot of industries, Ontario still maintains a competitive advantage," one official notes. His list of pluses for the province includes access to the rich markets of central - eastern North America, a number of advantages with energy supplies, particularly electricity, a stable and well-trained labour force, and a quality of life that is attractive in comparison with nearby U.S. cities such as Cleveland and Detroit.

It is not the goods-producing industries that led the recovery in Ontario this year. Service sectors were growing in the 3.6 to 5.3 per cent range with the exception of public administration, while the goods-producing sector grew by less than national average.

A key economist in the provincial Government, however, thinks that the basic economic situation in Canada is returning to the conditions that prevailed before 1970 when Ontario and Quebec were the economic leaders in the country. He says that what happened in the early 1970s was that the appreciation of the Canadian dollar and the resource boom that accompanied the exceptional rates of worldwide growth in the early 1970s provided opportunities for tremendous growth of the resource sector of the Canadian economy. While Ontario benefited from this boom, it did not share in the benefits to the same degree because the resource sector, is relatively speaking, a much smaller portion of the provincial economy than it is in, say, British Columbia. At the same time, the boom and the inflation that went with it put a great deal of pressure on wage

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MANITOBA AND SASKATCHEWAN

Divergent paths in the Prairies

THERE ARE likely to be vast differences in the economic attainments of Manitoba and Saskatchewan over the next 12 months.

Normally the fortunes of these two prairie provinces run along fairly parallel lines, as both depend on agriculture for a large part of their well-being. But as 1979 looms Saskatchewan is still swimming along on a wave of moderate prosperity while Manitoba is struggling with real difficulties as it tries to foster employment and industrial expansion.

Saskatchewan is to some degree better off because of the accelerating world demand for its oil, potash and uranium. Manitoba, on the other hand, lacks these buoyant resource industries and its own hydro and mining sectors are in a slump.

But even more important, the two provinces have recently split off on widely divergent paths as far as growth strategies are concerned. For example, Saskatchewan residents this October opted to retain a high level of Government involvement in their province's economy when they re-elected Premier Allan Blakeney's New Democratic (Socialist) administration for a third consecutive term. Manitobans, in contrast, dispensed with an eight-year-old New Democrat Government a year ago and replaced it with Premier Sterling Lyon's business-orientated Conservatives.

Expansion

Mr. Lyon promised to cut back on Government activity and simultaneously lower taxes to stimulate expansion of the private sector. And while the Premier has more than kept his pledge, the change of economic policy has so far failed to spur growth in the province.

Basically Manitoba's problem is that no alternative investment has come along to replace the Government spending reductions ordered by Mr. Lyon. During their first year in office the Conservatives trimmed the provincial civil service by 1,300 people, slashed hospital and university budgets, halted all public building and put a hold on northern Manitoba's billion-dollar Nelson hydro project.

Private investment in Manitoba, however, has remained almost static in the past year, even though the Lyon Government has lowered provincial corporate and personal income taxes by two percentage points. In addition, with few major private projects in the planning stages, the province has been grappling in recent months with escalating rates of unemployment and outward migration.

Statistically Manitoba's actual unemployment rate rose 30 per cent between September 1977 and September 1978, by far the highest increase in any Canadian province. At the last count 7.3 per cent of Manitoba workers were looking for jobs, as compared with 5.9 per cent 12 months ago. And while the province's labour force has swelled by 10,000 to 443,000 in the past year, the evidence is that the Lyon Government is failing to create enough jobs for Manitoba citizens, as 35,000 are currently unemployed here.

Traditionally Manitobans have expressed their dissatisfaction with the province's economic conditions by "voting with their feet"—which simply means that they move to other areas. This seems to be happening again, as the province's net loss of population through migration doubled in the first half of 1978 (3,198 this year against 1,508 last year).

From the provincial Government's standpoint out-migration brings temporary relief, since Manitoba's unemployed immediately become the responsibility of some other jurisdiction. But in the long run the loss of population could seriously harm Mr. Lyon's plan to attract new business and industry to the province.

Statistics Canada, the federal Government's statistical agency, has forecast that if present trends continue, Manitoba's population will shrink from a peak of 1,021,506 in 1976 to about 965,000 by the turn of the century. A contracting market like that will not be of much interest to outside entrepreneurs.

"The Conservatives are turning Manitoba into the Newfoundland of Western Canada, bringing us economic stagnation, unacceptably high unemployment and low incomes," Leonard Evans, former NDP Industry Minister and now an opposition backbencher, has charged recently. "After a year of Tory Government, it is becoming clear that private *investors are not being attracted* to Manitoba."

Despite opposition pressure and depressing economic statistics, Mr. Lyon has no intention of stimulating Manitoba's economy with a large injection of public funds. The Premier has said he will continue his Government's austerity programme for at least another year, although he has held out some hope that further tax cuts will be made next spring in an effort to stimulate private business.

There are, however, two factors that are saving Mr. Lyon from having to deal with complete economic bleakness. One is that the province's 30,000 farmers are enjoying a modest level of prosperity and the other is that Manitoba's manufacturing industries are maintaining satisfactory production by serving the lucrative nearby markets of Saskatchewan and Alberta.

Farmers are benefiting from high beef and pork prices, as well as from opportunities to deliver most of their grain at fairly good prices. Because of the buoyancy of the agricultural and manufacturing sectors Manitoba's goods-producing industries should grow by 4.5 per cent this year, although the gains will be partly offset by weaknesses in mining and construction.

In the next year—with Government restraints still in force — Manitoba's economic progress is likely to be minimal. Economists here are predicting a moderate improvement in the province's growth rate, saying it will be likely to reach 2.3 per cent as compared with 2 per cent in 1978. But this will still rank as the smallest increase in *Canada—and will be less than the national growth rate—forecast at 3 to 4 per cent.* Furthermore, the same economists feel that Manitoba's unemployment rate will continue to hover around the present 7.3 per cent throughout 1979.

Spokesmen for the Lyon Government, however, continue to insist that the province is on the verge of attracting large sums of private capital.

"Eight years of socialism in Manitoba tried the patience of the business community here," says Mr. J. Frank Johnston, the Cabinet Minister in charge of the province's newly established Ministry of Economic Development. "But we now have the opportunity of making up for some lost time and lost opportunities."

Agreement

Contrary to Mr. Johnston's view, however, Ottawa seems to be the most likely source of any new capital that may be poured into Manitoba in 1979. Within the past few months the federal Government and the province have signed a regional economic expansion agreement that is supposed to provide $40m for a variety of development projects. At the moment officials of the two Governments are negotiating the specific details of projects that could create 4,000 new permanent jobs in the agricultural and tourist sectors in the next five years.

On the other side of the coin, however, there have been two recent occurrences that may further persuade private industry to shun Manitoba. One is a recent application by Manitoba Hydro, the province's public power utility, to boost electricity rates by 15 per cent next February and perhaps by another 15 per cent later in 1979. This will certainly be a deterrent to industrial development, as will the province's labour-management climate which has deteriorated to the point where work stoppages in 1978 have already set an all-time record.

Saskatchewan citizens, meanwhile, seem fairly pleased with their present lot. They demonstrated this several weeks ago when they re-elected Mr. Blakeney's incumbent New Democrats by a resounding margin. This time they gave the NDP 44 of the legislature's 61 seats and a whopping 47.5 per cent of the popular vote, compared with 39 seats and 40 per cent in 1975.

Saskatchewan has, of course, had a strong Socialist party for four decades, while Manitoba has stuck with free enterprise parties except for the 1969 and 1973 flingswith the New Democrats. But the difference in political traditions does not completely explain Mr. Blakeney's most recent triumph—as economic factors were just as important in the final analysis.

For example, Saskatchewan currently has the lowest unemployment rate in Canada—4.9 per cent versus 8.5 per cent for the nation as a whole. And while this figure is expected to rise marginally to an average of 5 per cent in 1979, Saskatchewan has enough new development under way for nobody to be especially worried.

In the oil industry, for instance, Saskoil the province's oil company, is going to team up with Gulf Oil Canada and Petro-Canada to develop heavy oil deposits on 400,000 acres of Crown land over the next eight years. Similarly, Husky Oil of Calgary is planning to spend $2bn to develop its heavy oil fields on the Saskatchewan-Alberta border. Part of this scheme calls for the construction of a multi-million dollar refining plant in Saskatchewan.

In addition, a number of the province's dozen potash mines are planning expansion, while Amok has plans for the world's richest uranium mine in northern Saskatchewan. The uranium boom is dealt with in a mining article of this survey. Regina, the province's capital, is to be the site of a $100m downtown redevelopment and one of its principal industries, Interprovincial Steel and Pipe Corp., which builds pipe for northern pipeline projects, has announced an expansion that will create 400 jobs.

These developments, as well as a fairly healthy farm sector, are creating a general feeling of well-being in Saskatchewan. And although the province is less prosperous than it was in the grain boom days of the early 1970s, Saskatchewan residents are confident that their abundant natural resources will fuel the provincial economy for several decades ahead. In fact, provincial officials expect real growth in Saskatchewan's output will reach at least 3 per cent in 1979, with all basic and service industries sharing in the expansion.

The one key policy difference between Manitoba and Saskatchewan is that in the latter province the provincial Government is sharing the financing and the fruits of development. Mr. Blakeney's Government has bought potash mines, established its own oil company and passed a law that gives its mining company the right to buy up half of any project that looks attractive. Although this policy may be distasteful to businessmen, Saskatchewan Government involvement in the economy is likely to increase in future, now that Mr. Blakeney has been returned with a stronger mandate.

Roger Newman

Recovery

CONTINUED FROM PREVIOUS PAGE

rates in all Canadian industry and Ontario's manufacturing found itself in a deteriorating international competitive position.

Then the bubble burst. The commodity boom came to an end. Industrial growth around the world slackened. Suddenly, it was apparent that Canada had a highly overvalued currency. A 15 per cent drop of the exchange rate with the U.S. dollar and a moderation of wage demands caused the economic balance in the country to return to a pre-1970 situation. That suggests that Ontario is in a good position to recover its place at the head of the pack.

Even on the wage bill, simplistic comparison between base wage rates in Canada and the U.S. can be somewhat misleading as non-wage costs in the U.S. are generally higher than non-wage costs in Canada. Ontario officials like to point out that, in comparison with the adjacent industrial states of the U.S., New York, Ohio and Michigan, the province performed substantially better in attracting new industrial investment during the 1970s and in creating manufacturing employment. The late 1970s present a new set of challenges: these states have been stung by a movement of industry southwards in the U.S. and have begun to fight back by offering a wide variety of inducements for industry to locate in them.

Ontario must now get into the bidding war with states such as Ohio or Michigan. And that means in many cases cash, no matter how it is disguised as a grant, industrial development incentive, or whatever. Even in the negotiations leading up to the choice of an Ontario site for a new Ford plant, while it was recognised that there were substantial advantages to building the plant in Ontario, it took money to clinch the deal.

The province will probably be faced with more of the same if it is to attract the sort of industrial investment that it used to take almost as a natural right.

The Ontario Government is faced with the job of convincing businessmen that it still deserves the unquestioning support that it once received from them. This summer, the minister who had the widest respect in the provincial business community, the Provincial Treasurer, Mr. Darcy McKeough, retired from politics, and the Industry Minister, the late Mr. John Rhodes, who was just beginning to bolster business support for the Government, died while in a trip to Iran with the Provincial Premier, Mr. William Davis.

Their replacements have yet to make a similar impact. Mr. Frank Miller, the provincial treasurer, has not demonstrated that he has the toughness to ram unpopular budget cuts through cabinet in the manner of the abrasive and autocratic Mr. McKeough. And Mr. Rhodes replacement as Industry Minister, Mr. Larry Grossman, while young and energetic, is still relatively untried.

Mr. McKeough left the provincial Government because he had tired of waiting for Mr. Davis to quit, even though he had been able to lead his Progressive Conservative Government to no more than minority victories in the 1975 and 1977 elections. While his Government is in minority position in the provincial legislature, it does not seem that Ontario will soon have a provincial election. The current speculation is that, at the very least, it will have to wait for national election to settle the fate of Mr. Pierre Trudeau's unpopular federal Liberal Government. Ontario's provincial Liberals regained the position of the official opposition in the last provincial election after they had lost it to the socialist New Democratic Party in the previous round.

Dr. Stewart Smith, the Liberal leader, would not wish to force a provincial election prior to the national one as the unpopularity of the federal Liberal Party could destroy his chances in a provincial fight. Ironically for the Liberals, a defeat for Mr. Trudeau could make it easier for Dr. Smith to be a victor. Similarly, the New Democratic Party is unlikely to force an early election. Its leader, Mr. Michael Cassidy, has not established a presence on the provincial stage comparable with that of his eloquent and fiery predecessor, Mr. Stephen Lewis.

So, for the nonce, Mr. Davis seems set to stay in office, even though he has never established the forceful presence that his predecessor, Mr. John Robarts did. Mr. Robarts was always at the centre of national debate in Canada, but now the provincial premiers who are leading the debate are those of British Columbia, Alberta and Saskatchewan. In this case, the swing of political power has followed the changes in the economic balance within Canada in this decade.

Jim Rusk

THE ATLANTIC PROVINCES

A new confidence

GOVERNMENTS in Canada's Atlantic Provinces are ridding themselves of a couple of unwanted, industrial albatrosses. But the Bluebird of long term, economic happiness will continue to elude them.

The two encumbrances are both in Newfoundland, the bankrupt 100,000 b/d, Come-By-Day oil refinery, and the provincially owned, 1,000 ton a day, Labrador Linerboard mill at Stephenville, which has been closed for financial and marketing reasons for more than a year.

Both could soon have new owners. Their takeover and probable reactivation is indicative of a resurgence of economic confidence in the region, based principally on external factors.

Because of this economic improvement, Government leaders in three of the four provinces might be forgiven for asking why they did badly in recent provincial general elections. The Liberals lost power in Nova Scotia to the Progressive Conservatives, and the Government in New Brunswick and Prince Edward Island held on to office by a whisker. As a result, Newfoundland's Conservative Premier, Mr. Frank Moores, who is expected to go to the people some time next year, may have cause for apprehension.

Complicate

In addition to a widespread dissatisfaction with established governments all over Canada, a new element has emerged to complicate Mr. Moore's potential problems. A recent national by-election was won there by a youthful member of the New Democratic Party. It was the first time that the mildly socialist NDP had made any impression on the Newfoundland electoral scene. The result may merely have been an aberration, but it may also have been the first expression of what could be growing public reaction against Newfoundland's chronic level of unemployment and high living costs.

Officially, Newfoundland's unemployment rate was stated in October to be 16.9 per cent. But a low worker participation rate and otherwise disguised unemployment means that the reality of the problem was understated.

Northern New Brunswick and Nova Scotia Cape Breton Island share a similar magnitude of unployment but despite this, the region has been making economic headway. The three mainland Maritime provinces will be among the top five in Canada this year in terms of overall growth performance. Increases of between 3.5 and 4 per cent should raise them slightly above the national average. Newfoundland would have shared in this performance but for a prolonged strike this summer in the Labrador iron mines. They account for about three-quarters of Newfoundland's C$850m annual mineral iutput. The loss of much of that production means that the province will be lucky to reach 1 per cent growth this year.

The beneficial effect on exports of a falling exchange rate has most to do with the region's general economic improvement, pulling it out of a shallow recessionary curve begun in the aftermath of the world oil crisis five years ago.

In Nova Scotia, such commodities as fish and coal showed production increases of more than 40 per cent during the early months of the year. Even the long-depressed, provincially-owned steel industry, has taken on a more cheerful countenance, hiring new workers and planning to recommission another blast-furnace to service several new long-term home and export contracts.

With heavy accumulated losses and the need for a major capital investment programme Sydney Steel is a long way from being out of the woods. But the industry's future now seems somewhat more assured. Sales of rails to South America and several African nations and shipments of basic steel to South Korea helped to boost Nova Scotia's external exports by 27.5 per cent during the year, a rate roughly twice the Canadian average. The Nova Scotia Government is looking for funds to modernise Sydney Steel, but has given up the idea of setting up a 4m tons a year export-oriented steel plant on the coastal Gabarus Bay.

Pulp and paper mills have been fully extended to keep up with demand. This explains why five potential buyers expressed interest in the five-year-old Labrador linerboard mill. When it closed 14 months ago, Newfoundland would have parted with it for a song to maintain direct and indirect employment for 1,800 people, despite having spent more than C$250m on the operation.

The successful bidder was Abitibi Paper, of Toronto. The Government's terms were tougher than a year ago, but for C$43.5m Abitibi got a bargain. In addition it faces expenditures of C$60m to convert the five-year-old plant from linerboard to newsprint production. Only by doing this can Abitibi expect to overcome the inherent problems of a mill without assured supplies of economic wood and dependent on a single, volatile product.

Difficult

Solving the Come-By-Chance oil refinery problem is going to be more difficult, despite the fact that the receiver has tentatively accepted a C$219m offer for the plant from First Arabian of Luxembourg. The receiver rejected a C$613m bid from Mr. John Shaheen, the New York industrialist, who originally built the refinery.

The sale to First Arabian is to be completed next April, but it will depend on whether the Newfoundland Government owed C$65m on a second mortgage, agrees.

Under the proposal made by First Arabian, both the province and a group of British banks led by Kleinwort Benson, which hold a C$109m first mortgage, would get paid. But little or nothing would be available to unsecured creditors over about C$400m.

Mr. Moores, the Premier, says he is keeping an open mind on the proposal, but he is under strong pressure to prefer the Shaheen bid which promised an immediate C$5m payment to local creditors, and long-term pay-out from earnings for everyone.

The decision rests on the province's view of Mr. Shaheen's financing and operating credibility.

The ultimate fate of the refinery also depends to a considerable extent on whether the U.S. eases the entry of Canadian refined petroleum products. President Carter's recent concern for the U.S. dollar suggests that this is not likely.

While the ravages of a defoliating month larva, known as the Spruce Budworm cast considerable uncertainty over the long-term economic future of the forest industry in the Atlantic provinces, lumber producers, like the pulp and paper industry, are enjoying an upsurge of demand. A stronger metals market has renewed talk of an expansion in New Brunswick's big lead-zinc mining industry.

Optimism in the Atlantic fishing industry is limited only by the extent to which federal controls still limit the size of the catch and the method of operation. The industry is discussed in detail elsewhere in this survey.

While 1978 certainly marks a turning point after what has been a long period of stagnation, current economic improvements in the region may be short lived. The prospect of what seems to be another, sharp increase of international oil prices, renewed misgivings about the state of the U.S. economy in 1979, and a consequent falling off of demand for resource products, suggests that a tough year may lie ahead.

At the region's present rate of economic development, the Atlantic Provinces Economic Council believes it will take the four provinces 100 years merely to catch up with the rest of Canada.

The council urges the region to look to ways of producing high value, well designed, high technology goods. Ironically, the province that has done most in the past couple of years to act on such advice is tiny, agricultural PEI. It has attracted 35 companies to two industrial parks. Most are from Britain or elsewhere in Europe, getting a foot in the North American market with the assistance of an extremely generous federal-provincial incentive package. The newcomers represent a combined investment of about C$22m, account for about 850 new jobs, and produce everything from laser measuring machines to low pressure aluminium castings.

Lyndon Watkins

THE NORTH

Dividing the cake

THE CANADIAN north causes many misconceptions. Europeans generally see it as snow-bound, rich in minerals, and populated by Eskimos in igloos. Canadians often entertain similar impressions of untapped wealth. Most of them will never travel there (too far, too expensive), and many view it as a wasteland of no relevance to daily life. Neither generalisation is accurate.

At the heart of any discussion on the north, there is the problem of communications. Expensive transport and travel hinders projects. The distance between communities makes administration difficult. Lack of contact creates contradictions and political conflicts.

The north is diverse and fascinating. In some ways it is a model of model Canadian history. One sees the arrival of white men, the difficulties and high cost of development, technology creating new issues and forcing Governments to deal with political problems brought in the wake of progress. In the background there lies the conflict between the views of local people of what is best for them and the ideas of a distant central Government in Ottawa. It consists of the Yukon and the North West Territories (NWT), each governed by a commissioner appointed by Ottawa, assisted by an elective council. The population is thin even by Canadian standards — 21,000 people on the 207,000 sq miles of the Yukon, 3,000 on the 1.3m sq miles of the NWT. Another 11,000 live in northern Quebec.

Igloo

There is nothing romantic about being an Inuit (as Eskimos prefer to be known). Many older people can still cut and build an igloo in a few hours, but nowadays igloos are temporary camps for hunters. Semi-nomadic hunters still exist but as a rule an Eskimo family lives in anything from a state-built modern home to a shack. In a large town like Inuvik a fortunate Inuit will be linked at home to a large square elevated pipeline which carries all the services (water, steam heat, electricity) necessary to survive in the winter cold. TV programmes arrive by satellite. An hour noth on the Arctic Coast in Tuktoyuktu, an Inuit home is a fuggy shack with insulation of questionable quality.

There is little work for those who arrive at the settlements. The Mackenzie Valley, the huge river system which flows to the Arctic Ocean from the prairies, has more than 80 per cent unemployment among native people.

In isolated settlements tuberculosis is still rife. In the recent past whole communities were wiped out by the disease. In Inuvik most people, Indian or Inuit, have had relatives die of TB. Those who have work become depressed as those who live on welfare cheques. Parents resent being dependent on their wage earning son. Everybody yearns to be a "real Inuit," quite independent of white society. In fact the death blow to that life came more than 100 years ago when the Hudson Bay Company spread its posts throughout the north and the Inuit became dependent on the southern fur market.

The great shock for the visitor meeting Inuit and Indians in Quebec, the NWT and Yukon is that these people live so close to despair. Alcoholism is rife. (It is among whites also). Natives purchase booze as a privilege not as of right. They need a special card which can be taken away, a reminder of the inherited British colonial paternalism. Suicide is common.

The 20,000 Inuit are only one part of northern society. Whites and Indians account for the other 50,000 inhabitants of the Yukon, NWT and northern Quebec. The three groups have little contact with one another. Only in Inuvik, NWT, do whites, Indians and Inuit live in the same community. Elsewhere the Indians live south and the Inuit north of the tree line. All three societies have reasons for disillusion.

Two decades ago Mr. John Diefenbaker, then Prime Minister of aCnada, saw the north as the area where the old Canadian pioneer spirit could revive. The assumption then was that white pioneers could develop the region with mines, factories and towns, helping themselves while providing jobs for natives. Since then a massive influx to the north has provided health, welfare, education and jobs, but has brought as many problems as solutions.

No one is certain that providing employment and wages for native people is an answer. Starvation has disappeared, diseases are less common but Indians and Inuit are racked with social problems.

When mines close down communities break up overnight. Mineral deposits are not as rich as imagined and extraction depends on the ebb and flow of world prices. Copper, lead, zinc and asbestos mines in the Yukon have been going through bad years. Only gold has been boosted by rising world prices. Many people now ask whether native development is best served by exploiting non-renewable resources. That was implicit in the report of the Berger Commission which led to the abandonment of the Mackenzie Valley pipeline which would have brought Alaskan gas to the south.

Fear of damage to the environment, inflationary development and social disruption were behind the decision. The suspension pushed some commodities from boom into depression, hitting white service industries, especially hard.

The greatest employer in the north is the civil service, but a large number of the white residents are dependent on commerce. One Inuvik resident explained: "People forget that we whites are just as much northerners as the natives. The pipeline would have brought prosperity, jobs for whites and natives alike. Now we are all worse off. We desperately need new projects."

The scale of Canada's North is only grasped by travelling there. It is quite normal to be marooned sometimes for days even in good weather. The isolation of the island communities in the Arctic is such that the regional administrator and the winter supply planes make their last run in early October leaving the Inuit settlements cut off totally until May. The entire North is served by a host of tiny private airlines. They run out of money regularly but serving as the sole means of supply and health services they are not allowed to go under. The same ancient twin Dakotas and smaller planes turn up each year often with new livery.

Direct and indirect subsidies abound in all economic activities. There are no economies of scale and everything has to be airfreighted. (A pint of milk in the north can cost up to C$2.) Everything from craft shops to construction is subsidised somewhere. This year's budget of the North West Territories was C$175m. Revenues were C$30m.

Isolated

Such is the pressure to create employment that the federal Government is willing to provide complex infrastructure in the most isolated places to facilitate new projects. Last year the Nanisivik lead-zinc mine on Baffin Island started production. Ottawa provided C$18m for infrastructure in return for a company undertaking that 60 per cent of the jobs would go to northerners.

A boost was given to oil and gas exploration by the 1973 oil price rises. It became economically feasible to explore the Arctic systematically.

The costs are light. Dome Petroleum's offshore exploratory wells in the Beaufort Sea are the most expensive in the world at C$40m a time. Drilling is only possible in the three summer months and the company failed to complete production testing this year before floating ice forced suspension of operations.

All administrative costs in the area are many times higher than in the South because of distances. Health, welfare, auditing, maintenance all require special planes to fly hundreds or thousands of miles. Government employees demand a southern living standard. Officials live like their counterparts in Toronto or Edmonton. Fuel, materials, and supplies must be brought north at great expense. During the summer roads in NWT, are barely passable. They re-open when the freeze-up closes over the innumerable lakes in the territory and solidifies the soggy tundra.

A few decades ago it was quite respectable to hope that "the native problem" would disappear through interbreeding. Many Indian tribes gained special status and rights through treaties. Those that did not were left out of the system. Those marrying whites or non-status Indians could lose their status. Others were encouraged to sell their status. Large numbers of metis (of mixed blood) and non status Indians are outside both the white economy and the Indian reserve system.

Talking to people in the Yukon one finds metis who had status and pure bloods who are non-status. This makes a great difference in privileges, education and job opportunities. In the far west most of the people of mixed blood do not feel white and many dislike whites.

In deference of this Ottawa some years ago started funding research by metis associations into possible meti claims on land.

Land claims are currently the single most pressing issue in the north. There are a number of elements involved. Technology and changed economies are bringing the white economy deeper into the north. The federal Government wants to minimise the social and economic disruption associated with new mines, pipelines and associated projects. There is also the desire that the native peoples should get a slice of the cake and share in the benefits. It is more efficient and often less disruptive to negotiate rather than leave disputes to subsequent court actions.

In Quebec negotiations to enable the provincial Government to develop the hydro-electric potential of the James Bay area led to an unprecedented agreement. Indian and Inuit groups received financial compensation in return for their land rights. Political as well as economic institutions have been set up. Creation of the Kativik Regional Government which invisages strong measures of autonomy in the future means that Inuit in Northern Quebec will gradually take over much of their own education and administration. The Inuit see it as a future semi-autonomous government.

For a host of reasons the federal Government prefers to separate questions of economic compensation from political development. Officials in Ottawa argue that dealing with political compensation through land claims is impractical and unrealistic and that single tribes may want to set up sovereign states if present trends continue. Federal funds for land claims research were recently cut off in NWT. The Dene Nation, the chief Indian political organisation in NWT had made demands for political autonomy in a land claims settlement. Furthermore, it had refused federal demands that the Dene present a joint claim for compensation with the Metis Association.

Many people hope to get the western Arctic claim settled before new factors complicate the issue. The matter, however, is in dispute. Not all Inuit support COPE. Inuit elsewhere in Canada believe COPE should include political claims in the present stage of talks. Those favouring the trend towards greater political autonomy for natives believe a quick deal now with financial compensation and economic institutions set up will be a major set back.

Those in COPE maintain that local control by the Inuit of the economy will give the people a stronger position in any future dispute with the oil companies and will lead to greater political control in the future.

Michael Tingay

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BRITISH COLUMBIA

A chance to top growth league

THE WESTERNMOST Canadian province has a chance of going to the head of the national growth league in 1979. Mr. Evan Wolfe, the province's Minister of Finance, has said that British Columbia is on the threshold of a boom at the end of a year when the provincial economy seems to have expanded by some 4½ per cent. In Ottawa, the forecasters expect industrial investment in the province during 1979 to grow faster than the national average.

Whether the threshold will actually be crossed is another question. The answer depends to a great extent on the impact of President Jimmy Carter's measures to stabilise the U.S. dollar. If they push the U.S. into recession British Columbia could not escape the consequences.

The forest products industry, which has been booming in 1978 and which accounts for more than half of the gross provincial product, depends heavily on U.S. markets, and in particular upon housing starts there. Almost half its shipments go to the U.S., a proportion rising to three-quarters in the case of lumber.

A cyclical setback has been expected for some time in U.S. housing starts, which have been running at very high levels. It could easily be severely accentuated by the higher interest rates imposed in the U.S. in the interests of the country's balance of payments.

Similar considerations may apply in the case of mining, the second largest industry in British Columbia. If the U.S. goes into recession, the slow recovery in the prices commanded by non-ferrous metals could be interrupted. The impact would be felt strongly in British Columbia, which exports 88 per cent of its metals production, though the dependence upon the U.S. market as such is less pronounced than in the case of forest products.

The possibility of something going wrong in the U.S. must therefore be taken into account in assessing a number of promising news items about the economy of British Columbia which have become known recently. For instance MacMillan Bloedel, the biggest forest products company, intends to install a new 190,000 tonnes a year newsprint machine at Powell River. It will be the first newsprint machine to be installed in the province for ten years. Other companies are considering buying machines for making newsprint.

There also has been good news from Macmillan Bloedel's Vancouver plywood plant. Less than six months ago it was threatened with closure, but in October the company was able to announce that Vanply had been making its first pre-tax profit for a very long time. That was achieved by a partial closure — at the cost of about one in three of the 700 jobs at Vanply. The plant is not yet out of the wood; a final decision on its future has yet to be made.

None the less, the episode is instructive. The rationalisation plan was hatched after Mr. William Bennett, the provincial Premier, had described closure as unacceptable. In doing so he really departed from the principle of his Social Credit party that business and government should be run as far as possible according to business-like considerations. His intervention finally led to a three-party understanding between the company, the Government and the International Woodworkers, the trade union of the forest products industry.

Labour relations in Canada, and especially in British Columbia, generally follow the confrontation pattern. The province has a long history of labour strife and strikes. Things have been relatively quiet only since 1975, mainly because the imposition of statutory wage controls in Canada meant that for the unions it was not really worth while going on strike.

These controls are now running out and there is much speculation about the consequences for industrial relations. Mr. Jack Munro, the Woodworkers' president, has forecast that the wage talks that he will be engaged in in mid-1979 are going to be difficult. For a start he wants a share in the windfall that the industry has supposedly picked up as a result of the devaluation of the Canadian dollar in terms of the U.S. currency. Nobody at this juncture can prophesy how these talks will go.

The possibility of a setback in the U.S. economy could very well serve to cool union ardour, but there are other signs that the old rumbustious pattern of British Columbia labour relations may be changing. The events at Vanply are one example. Another is that the construction workers, usually an especially aggressive lot, settled moderately this summer under the impression of poor prospects for their industry is another.

The most intense economic activity in the province for the time being is concentrated in the area of Fort St. John, near the border of Alberta in north eastern British Columbia, where big new finds of natural gas have been made. Exploration activity is high; some 120 rigs are expected to be at work in the winter.

Reserves

British Columbia's saleable gas reserves at the end of 1977 amounted to 6.7 trillion (million million) cubic feet and it is estimated that another 7.7 trillion cubic feet gross will be added to that by the end of the century. At present output is in the region of 360bn cu ft a year, of which more than two-thirds is exported to the U.S. Unlike forest products, that is an export item that is unlikely to suffer from any deterioration of the U.S. economy.

In contrast to neighbouring Alberta, British Columbia has not embarked on petroleum chemistry as a means to diversify its economy upon the basis of its natural gas. As things stand competition in that particular industry is quite severe enough in Canada.

Next to the search for gas, most excitement has been caused by the possibility that British Columbia may join the ranks of the uranium producers. Exploration is intense and proposals have been made for a mine in the south. It has, however, run into intense opposition on environmental grounds and the Government will not give permission to mine uranium before conducting an intensive inquiry. British Columbians are an affluent people in a relatively unspoilt landscape. The inquiry could well prove difficult.

The other extractive industries have reached the point (or at any rate had done so before the Carter measures) when the worst appeared to be over. Japan is the key customer for coal, having taken most of the C$344m of metallurgical coal for steelmaking that British Columbian mines sold last year. In spite of the plight of the steel industry, a price increase of 4.1 per cent was negotiated this year, facilitated by the decline of the Canadian exchange rate.

Metal miners in the province have been helped by not being involved in nickel. The price of copper, which accounts for more than half their output, has been rising. It still has a long way to go, however, before it reaches U.S.$1, the level at which it would become economic to open new mines, according to Mr. Brian Carter, economist of the Bank of Columbia. The success story of 1978 has been molybdenum, though the period of steep price increases now appears to be over.

The uncertainties surrounding the metals mining industry are well illustrated by the fact that though exploration expenditures are rising towards the high levels of six years ago, that does not take account of inflation. In real terms they are still well down. Mr. P. R. Matthews, managing director of the Mining Association of British Columbia, has gone as far as saying that the industry might disappear altogether unless new mines are opened soon.

Between 1972 and 1977, Mr. Matthews said, eight mines had opened, 11 had shut, leaving 18. Another three were closing this year, though a copper mine has come on stream in conjunction with a new smelter at Afton.

Richness

The picture drawn so far is very much that of a resource-based economy. The richness of the resources available and a population of only 2.5m make that almost inevitable. By and large it also probably tallies with the aspirations of British Columbians. The Bennett Government would like to diversify cautiously, on the basis of adding a bit of depth of manufacture, for instance, to wood products before they are exported.

Some success has been achieved. For instance a $25m venture to make glass fibre insulation products in the province was announced recently. Proposals to roll eastern Canadian billets into wire rod at Richmond have been agreed, subject to final arrangements being made.

The wish to persuade investors that British Columbia will continue to pursue market policies seems to have been behind the possibility of a premature dissolution of the provincial legislature this autumn. All the indications were that Mr. Bennett and his Social Credit Party would have defeated the socialist New Democratic Party, whose period in office from 1972 to 1975 thoroughly displeased the business community.

Mr. Bennett seems to have thought better of it; the indications are that he will wait for 1979 before going to the polls. Meanwhile, he has taken the opportunity of the Social Credit Party's conference to defeat "right to work" motions submitted by strongly anti-union members who want to limit severely the right to strike. It was another sign that British Columbia may not go back to its industrial scene of head-on clashes.

W.L.L.

ALBERTA

Pausing for breath

AFTER RUNNING at the head of the pack for a number of years, Alberta seems likely to pause to take breath in 1979. According to the latest estimates of the well regarded Conference Board, in Canada, Alberta's real growth of 4.5 per cent in 1978 will be the highest of any Canadian province. Next year, however, it will slow to 3.5 per cent, just close to the national mean. That does not mean that the bloom is off the wild rose, the provincial floral emblem. Alberta's economic performance over the last half decade has been so strong that it could not have been expected to continue indefinitely. The provincial construction industry, which accounts for about 25 per cent of the province's output, about double the share the industry holds in a more mature economy, has been growing by about 10 per cent a year in real terms. Next year, there will be no construction industry growth at all, the Conference Board forecasts.

With this summer's completion of the $2bn Syncrude oil sands plant at Forth McMurray and next summer's scheduled completion of the world scale $1bn petrochemical complex, the major projects that have spearheaded Alberta's growth through the middle 1970s will be done. Others are waiting in the wings to take Alberta through the first half of the 1980s. Another oil sands plant seems likely, most probably that proposed by Shell Canada, which carries a $4bn price tag. Development of the province's heavy oils, which are now little used as they flow so sluggishly through the rocks, is now being considered by the National Energy Board. And the $10bn natural gas pipeline from Alaska to markets in southern U.S. will pass across the province if it is built.

But it will be a year or two before the next boom. All of these projects depend on the course of public policy in Canada and the U.S. and the oil and petrochemical companies in Alberta have learned that, even in a province like Alberta whose government is an avowed supporter of free enterprise, they must wait for the councils of government to decide a project's fate, no matter what market dictates might say.

While these major projects that will carry the province in the 1980s are winding their way through the government decision mill, the urgent question in Alberta this winter is that of natural gas exports. It is one that could trigger a confrontation between Alberta and the federal Government although perhaps not as serious as those of the early 1970s when a major rupture developed over oil industry pricing and taxation policies.

Exploration for hydrocarbons has gone at a record pace in Alberta in the last few years with the result that so much natural gas has been found that it cannot all be sold.

While Alberta supports the federal Government's desire to move additional gas in to eastern Canadian markets, provided it can be economically done, Mr. Lougheed favours additional natural exports to the U.S. On an intermediate term basis, on the grounds that the exploration that would result would mean new discoveries in the future. However, the federal Minister of Energy, Mines and Resources, Mr. Alistair Gillespie, formerly a Toronto businessman, is known to have doubts about the wisdom of any large scale exports to the U.S.

Mr. Lougheed's concern with the gas exports goes beyond his desire to keep industry's cash flow at high levels. In negotiations that have gone as high as U.S. Vice-President Walter Mondale, he has linked Alberta's willingness to sell more natural gas to the U.S. to a lowering of U.S. tariffs on petrochemicals and certain processed food products. The U.S. is sympathetic to Alberta's view and has shaped its offer to Canada at the Geneva trade talks in a way that responds to Alberta's requests. While it is not yet clear how the federal Government will resolve the export issue — Canada's Trade Minister, an Albertan whose brother is deputy premier of the province favours exports — it is clear that Ottawa is going to have to walk a tightrope between defending the needs of Canadian gas consumers on one side and on the other not offending Mr. Lougheed and the oil industry.

One measure of the optimism with which Mr. Lougheed views the industry's prospects these days is his recent declaration that, with the additional oil and gas reserve discovered in the past few days, some of the urgency has been taken out of the drive to diversify the provincial economy and to develop an industrial base that will carry

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QUEBEC

Nurturing a new image

The Parti Québécois Government of Premier René Lévesque has just begun its third year of power. While the "enemy" remains the federal Liberal Government of Mr. Pierre Trudeau in Ottawa, Mr. Lévesque is carefully nurturing *an image of moderation as he* launches his campaign to give Quebec sovereignty in association with Canada.

The Lévesque cabinet, close students of public opinion polls and seasoned tacticians, have also accepted that the province's francophone majority would not vote for a straight independence option in the referendum promised for late 1979.

As Mr. Claude Morin, Intergovernmental Affairs Minister, *put it several years ago:* "Independence is like a flower. It won't grow more quickly *because you pull on it.*" The PQ Government is avoiding any temptation to pull, and has dropped the words "independence" and "separation" from its vocabulary and its propaganda.

By starting a full-scale campaign for "sovereignty-association" and cultivating an image of moderation, Mr. Lévesque *clearly hopes to* steal the unity issue away from Mr. Trudeau as the spring federal election *campaign approaches* and *also* to disarm the Quebec provincial Liberals under their new leader, Mr. Claude Ryan—an experienced debater and communicator. The "sovereignty-association" proposal itself is being kept vague in outline.

Ministers, Government members of the Quebec National Assembly and individual leaders of the PQ have spoken publicly about it in so many different ways and from so many different viewpoints that the result is near obfuscation. Perhaps confusion at this point is not unintentional. But if it means anything, "sovereignty—association" *would lead to de facto* political separation of Quebec from the rest of Canada while retaining the advantages of the existing economic integration.

In recent months, Mr. Lévesque and his leading ministers have been conciliatory at federal-provincial conferences, *studiously avoiding the* abrasiveness they displayed during the first year of office, and eager to assure the rest of Canada that their plans would not "disrupt" the present structure of the country and the lives of millions of Canadians.

The Finance Minister Mr. Jacques Parizeau has several times stressed the economic *interdependence of Quebec* and Ontario as the two major manufacturing provinces, and has lauded the traditional role of Ontario as "honest broker" in the quarrels between Quebec and Ottawa over the division of political powers. As the Canadian dollar sank below 85 cents (U.S.) this autumn, he had sympathetic words for his jousting partner, the federal Finance Minister, Mr. Jean Chretien. Quebec was willing to *do all it could, he declared, to* help steady the Canadian dollar, even by advancing its foreign borrowing programme.

Textile

The lower Canadian dollar has been *helping* Quebec's hard-pressed textile and shoe industries, but it could cost the province and its power *utility*, Hydro-Quebec, tens of millions in extra interest costs. Together *they have several billion dollars* of debt outstanding in U.S. dollars and other hard currencies.

On energy matters, Quebec has found its interest running parallel with other parts of Canada. The Energy Minister, *Mr. Guy Joron, has said* the province will be only too happy to import much more Alberta *natural gas, and the trans*-Canada pipeline should be extended from Montreal to Quebec City at least.

Mr. Joron also says Quebec would now allow power from the proposed Gull Island hydro project in Labrador to move to *markets beyond Quebec via the* province's transmission system, so long as Hydro-Quebec can recover the cost.

Last month Mr. Levesque conspicuously signed copies of two books published by Parti Québécois members of the Quebec National Assembly ex*plaining the "options" from* which Quebecers must choose. One exercise is 620 pages long. A disarmingly simple "organigram" shows how a "sovereign and fully equal" Quebec might be meshed politically with the remaining Confederation of *nine provinces through a "Conseil de l'Association Quebec-Canada"* made up of four *ministers from the Government* of Canada and four ministers from the Goverment of Quebec, while economic intergration would remain undisturbed.

This is hardly tavern talk or stuff to win the hearts of mature francophones in the coming *referendum.* The most recent public opinion polls have confirmed that most Quebecers *reject the concept* of "sovereignty-association," though perhaps nearly half the *francophones theoretically* might support Mr. Levesque if he merely asked for a mandate to negotiate such a solution to the constitutional issue.

The French-speaking majority (80 per cent of the total Quebec population of just over 6m) was generally satisfied when the PQ defeated the Liberal Government of Premier Robert *Bourassa on November 15,* 1976. Most felt a change was needed, and the province might *be governed* more in their interest and free from the compromises required to accommodate the powerful English-speaking minority in Montreal. Mr. Levesque won about half the French vote on the promise of "good government."

Once in *power* he let his Cultural Affairs Minister, Dr. Camille Laurin, a psychologist *and TV commentator turned* politician, bring forward Bill 101, the French Language Charter, designed to ensure the pre-eminence of French in Quebec. The Bill was pushed through with little modification and no heed for the economic *consequences. Its final passage* was a sign that the language battle in Quebec had been won for *French. Henceforth* the language of work in industry and business, except in designated high-level head office operations and culutural "entities" such as English newspapers, was to be primarily French.

The Anglophone minority in Montreal is grudgingly accepting the legislation and business signs in French now appear everywhere in Montreal.

Problems with "illegal" entry of immigrant children in the English-language school system *remain*, and both Anglophone and Francophone business communities are still highly critical of the general economic *effects* of the legislation. While many francophones in Montreal find the better jobs have become widely available to them and they can work almost exclusively in French. Some have recognised that by lessening the need *for the French to be bilingual* they may actually be forfeiting an advantage.

Many Anglophones have decided that if they are to remain in Quebec and maintain their relative economic position, they will have to become bilingual or at least modestly fluent in French. English-language educational institutions are showing flexibility and are taking the view that they have a responsibility for promoting *bilingualism and that Anglo*phones remaining in Quebec should have a large part of their tuition in French.

After the language legislation was passed last year, the Government moved to relax tensions and fulfil more election pledges. Consumer, labour and general social legislation was *hastened forward.* A new labour law, heavily attacked by business for putting excessive power in *the hands of the* unions, was modified slightly. But it was designed to dampen down the labour unrest which had plagued the province for several years. The outcome is not yet clear.

Strength

The Government this summer *launched an official inquiry into* the 1976 Olympics overspending —seemingly a good issue for blaming its predecessors for giving "bad government." In November it got its reply in the Montreal municipal election. Mr. Jean Drapeau, a strong federalist and the man who publicly rebuked President de Gaulle after his dramatic "Vive le Québec libre" cry during his visit to Expo in 1967, was re-elected overwhelmingly as *Mayor for his seventh term.* It is fair to recall that relations between Montreal, with more than 2m *inhabitant* and most of Quebec industry, and Quebec City, the seat of government, have always been tense.

Mr. Levesque has been cultivating the idea that his Government is in the long tradition of French Canadian nationalism, a logical successor to Premier Maurice Duplessis with his campaign for "autonomy" for *Quebec, and of Premier Jean* Lesage, with his slogan "Maitres chez nous." It was Mr. Levesque, a former member of the Lesage Cabinet, who last year ordered a huge statue of Premier Duplessis out from storage and placed prominently before the National Assembly.

Mr. Ryan was chosen as leader of the Quebec Liberals *in a flurry of optimism early* this year. For some years he has been a leading exponent of moderate Quebec nationalism before audiences in other parts of Canada. He is the former publisher and editor of the influential French-language daily Le Devoir.

Soon the polls showed Mr. Ryan ahead in popularity com*pared with Mr. Levesque*, but his rating has slipped recently. Mr. Ryan's task is not only to breathe *new life* into the Liberal riding organisations. He has to develop his own credible constitutional alternative independently from Ottawa, attack the political and economic record of the PQ Government, and puncture some of its propa*ganda for an undefined* "sovereignty-association."

The political debate, and the delayed effects of the language legislation have contributed to keeping growth slow in the economy and to the continuing high unemployment of around 11 per cent. Last year the Quebec economy grew at not much more than 2 per cent in real terms, or below the national average. In 1978 the figure may reach 3-3½ per cent, despite provincial tax breaks for small and medium-sized business and the resurgence in traditional industries such as shoes and textiles.

Under

This would again be under the national average, and there is reason to believe that growth in 1979 will not be any higher. Business capital spending intentions for 1979 are still running below the longer-term trend line and well below those in Ontario. Service industry *growth has slowed down,* and construction in Montreal is running at about 50 per cent of capacity. But in early December first signs appeared that the industry might turn up again.

The main support for public and *private investment* together remains the $16bn James Bay hydro project, where the first generators start up next fall. To help finance it, power rates will be rising around 20 per cent in the next three years.

Business remains extremely critical of both the language legislation and Mr. Parizeau's April 1978 budget which raised taxes on those with gross incomes of $30,000 and above quite steeply and reduced deductions for a large number of professionals and salesmen on *their cars. Business argues it* is increasingly difficult to get management and technical staff to transfer to Quebec from other parts of the country or from abroad, because Quebec's personal tax rates in the middle areas are about the highest in the *country. The longer term* pattern in any case has been for company headquarters to move to Toronto.

A Quebec Liberal party study just published finds that Quebec has lost or is about to lose 5,500 direct jobs because of the transfer of headquarters and departments to Ontario and elsewhere since the 1976 election. Sun *Life of Canada* and *Bank of* Montreal, it says, are moving about 1,500 people to Toronto. About 15,000 more jobs, which depend indirectly on the 5,500 transfers, are also being lost, and the exodus is not over because "eight more major firms" are planning *moves out* of Quebec.

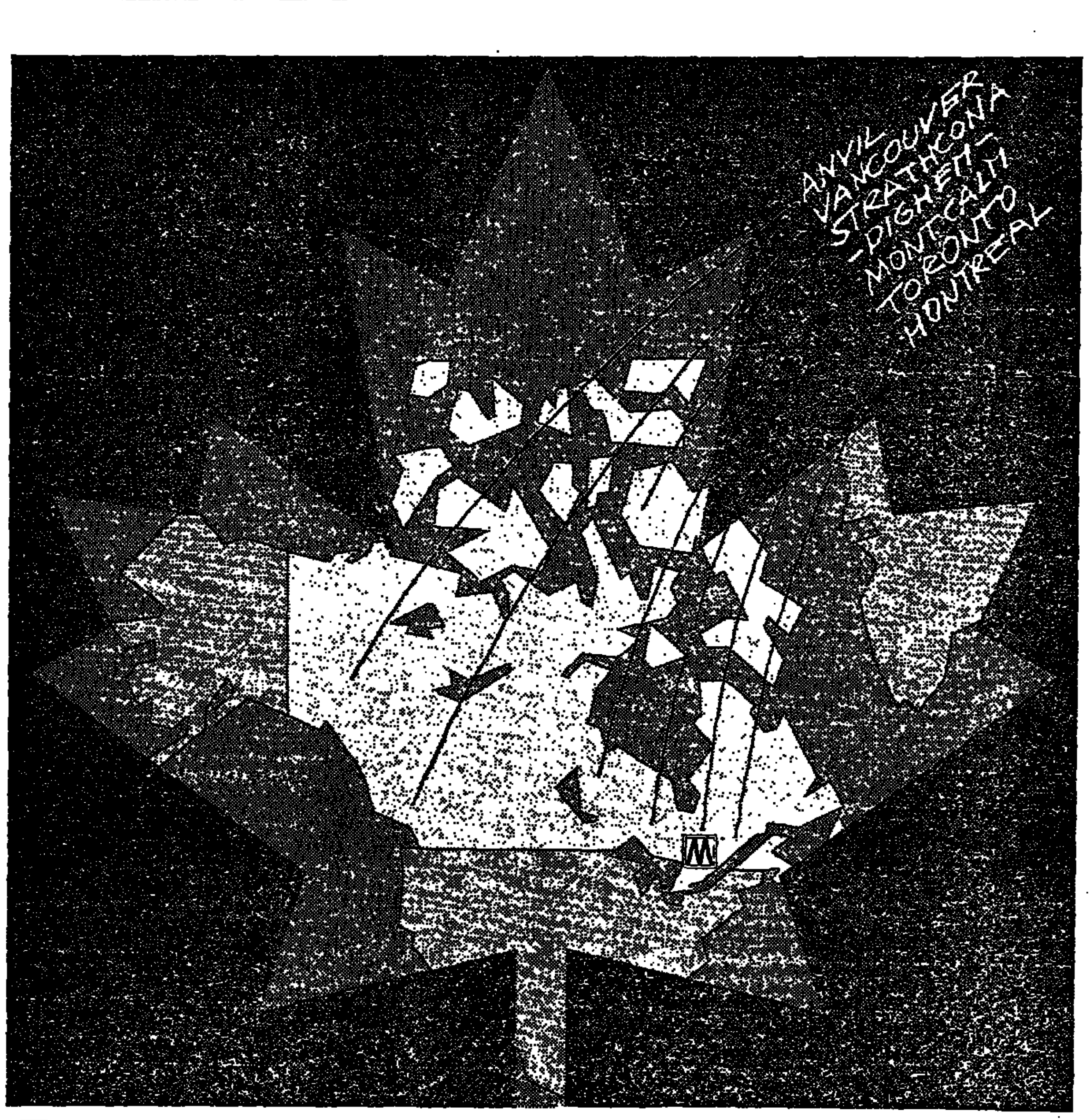
Quebec's most active industries now are aluminium, aerospace and pulp and paper—in all cases mainly because of the strength of the U.S. economy in the past two years. The recent federal budget, with tax advantages to industry and mining through higher investment tax credits, will help Quebec companies to remain competitive. The traditional in*dustries such as textiles and* shoes, and to a lesser extent furniture, have been helped directly by the lower Canadian dollar and higher protection.

Mr. Parizeau's main challenge is the continued growth of public spending at a rate higher *than* the growth in the provincial economy. He is trying to get the public service unions to accept a relatively large increase in the first year of a three-year contract, and smaller ones in the last two. In view of continuing high unemployment (11 per cent) and slow growth, he may have some success. He has tried very hard *to get the general public on his* side.

Though *schools* in the cities are being closed each year by the score for lack of pupils (the birth rate declined in the early 1970s to one of the lowest in Canada), education costs continue to rise. The quality of some services, particularly health care and hospitals, is de*clining as the* Government struggles to get unit costs down to the levels of Ontario.

The Levesque Government inherited many economic and administrative problems, but its own policies and attitudes have greatly contributed to the *general state* of uncertainty holding back investment and more solid economic progress.

R.G.



Pausing

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Alberta once conventional oil and gas wells are pumped dry. The boom of the 1970s that took the province into nonconvention petroleum production on the tar sands and that built a petro*chemical* industry in the province took the diversification some way down the road. However, *the diversification plans* were starting to run up against some basic weaknesses in the provincial economy.

The province has a small domestic market, is locked inland several miles from any large scale consmer markets, and will have to climb over whatever barriers that U.S. may erect if Alberta goes after its *closest markets in the Pacific* northwest.

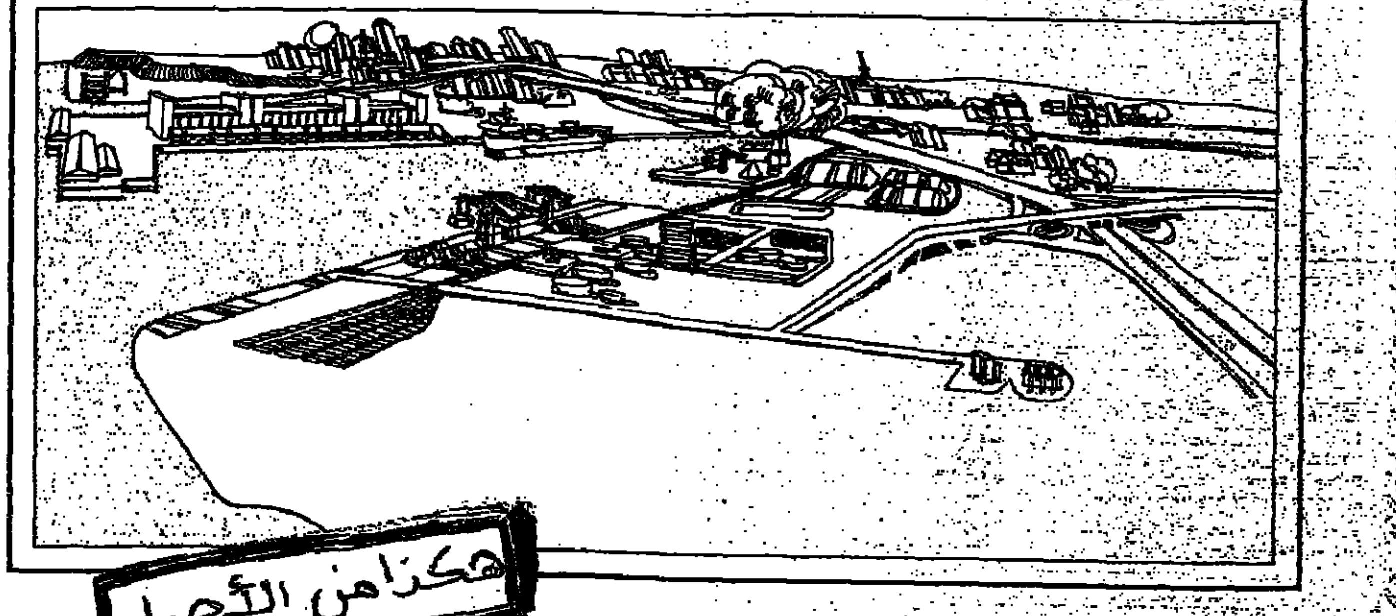
These make the next stage of development a tougher go. The next petrochemical plants will largely be aimed at the U.S. market. Oil production from tar sands or heavy oils could, in the *short term, displace* conventional oil production, from which Mr. Lougheed gets a larger royalty than from nonconventional sources. These considerations, as well as the timing difficulties of the big projects, probably required *Alberta to take a rest from* leading the Canadian growth parade. However, 1979 might not be the best moment *for a rest unless* people could be persuaded that it was planned all along.

Mr. Lougheed's Progressive Conservative Government faces a provincial election in 1979 and has been weakened by announcements from nine of his mini*sters that they do plan to seek* re-election. Curiously, all announced that they are not *seeking* re-election bcause of personal reasons; however, it is widely known that more than one nose is out of joint because the Premier decided to seek a third term in office after earlier saying, he would only remain for two terms. From a business *standpoint*, the biggest loss from the Cabinet will be the Oil Minister, Mr. Don Getty, wo was widely expected to be Mr. Lougheed's successor.

Though the growth rate will slow next year, Mr. Lougheed will have several economic *strengths* to talk about in the campaign. The cattle cycle is at a peak and ranchers are enjoying record prices, not unimportant in a province that has 40 per cent of Canada's beef herd. The tourist industry has expanded impressively as have other service industries. Housing starts are almost double what they were when Mr. Lougheed first took office in 1971.

Furthermore, thanks to his oil revenue has he been able to provide one of the highest lvels of government service to the provincial electorate without provincial government borrow*ing for six years while lowering* taxes to the lowest level of any Canadian province.

J.R.



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THIS YEAR'S CHRISTMAS FOOD BILL

BY JOHN EDWARDS, COMMODITIES EDITOR

Californian rains, tinsel and real trees

BRITISH SHOPPERS have never had a Christmas so good according to fruit and vegetable traders. Poultry producers are swelling with pride that turkey and chicken prices are hardly changed compared with a year ago, in spite of inflation. But there are black spots too: nuts, especially almonds and brazils, are considerably more expensive. Sultanas are in very short supply. Meats, apart from poultry, are costing 8 to 10 per cent more than last Christmas in line with the general rise in prices throughout the year.

However, an important element affecting prices more than usual this year is the highly competitive situation in the grocery and supermarket trade. Retailers are cutting their profit margins in many cases on traditional Christmas fare as "loss leaders" to attract customers. This is distorting considerably the usual relationship between raw material costs and the actual price in the shops.

Poultry producers claim that greater efficiency in production techniques has helped keep down the cost of chickens and turkeys. But they will readily admit that competition among retailers in the High Street is playing an equally important part. It is estimated that some 10m turkeys are sold at Christmas time each year, of which over 7.5m are the frozen, oven-ready, turkeys so popular with supermarket shoppers. By buying early in the year, allowing producers to plan their production schedules with guaranteed sales, the average price of oven-ready turkey this year has been kept to between 48-54p a lb, only marginally higher than last year. But this achievement also means the shops cutting their profit margins to a low level.

Sales of "fresh" turkeys are much smaller at between 2.25 to 2.5m birds at Christmas, and prices are far more erratic since they vary as Christmas day

approaches, and the demand rises and falls. Currently the average price is between 64p-75p a lb, but there is a slight shortage of the smaller-size birds since farmers have been tempted to fatten them up more this year and obtain a higher return per bird.

But, of course, the price is to a large extent regulated by the cost of alternatives like the oven-ready variety or chickens, whose price is also much the same as last year—between 41-52p for frozen birds and 54p-56p for fresh chickens.

Geese have almost priced themselves out of the market at a £1 a lb for quality that can be unreliable. Ducks are not considered to be very good value this year either.

Bad weather in California earlier this year is the prime reason why dried fruit prices have risen, and are expected to increase considerably more in the months ahead. Normally the state is the world's biggest producer of Thompson's seedless raisins, which in Britain are the equivalent of sultanas; they both come from seedless white grapes. On average California produces 220,000 tonnes of "sultanas," but this

YOUR CHRISTMAS FARE — AVERAGE RETAIL PRICES

	This year lb	Last year lb
Turkeys (frozen oven-ready)	48–54p	49p
(fresh)	64–75p	60–67p*
Chickens (frozen)	41–52p	34–41p
(fresh)	54–56p	48*54p
Beef (forerib roasting joint)	90p	78p
(sirloin joint)	166p	138p
Lamb (fillet end of leg)	118p	100p
Pork (fillet end of leg)	87p	81p
Apples (English russets)	10–14p	20p
(Cox's)	8–25p	18–36p
(Golden Delicious)	12–16p	18–26p
(Granny Smiths)	18–22p	25–32p
(Bramleys)	12–29p	20–24p
Pears (Conference)	15–22p	24–34p
Bananas	18–20p	20–24p
Cranberries	55p	45p
Dates (glove boxes)	48–55p	50–52p
(fresh)	65p	55p

	This year lb	Last year lb
Grapes (Spanish)	45–48p	65–70p
(Almeria)	30–45p	50–65p
Grapefruit (Jaffa and Cyprus)	7–18p each	6–18p each
Lemons	4–12p each	3–9p each
Oranges	4–14p each	4–14p each
Clementines	30–35p	32–35p
Satsumas	22–28p	28–34p
Peaches (South African)	35–50p each	40–50p each
Almonds (soft shell)	70–80p	40–42p
Brazil nuts	65–70p	50–60p
Chinese walnuts	50–55p	48–50p
Chestnuts	45–70p	40–50p
Filberts (Italian)	50p	44–45p
Brussel sprouts	8–9p	14–15p
Parsnips	10–12p	10p
Cauliflower	33–46p	28–35p
Christmas trees (average)	80p foot	70p foot

* Estimated

year's crop is only about 60,000 tonnes as a result of violent rain storms in September just when the fruit was lying on the ground to dry. This disaster has meant that the U.S. instead of being a substantial exporter of dried fruit is having to import this year and has already started doing so with supplies from Afghanistan.

Sultana crops in the other main producing countries—Turkey, Greece, Australia, Afghanistan and Iran—are much the same as usual, but the UK Dried Fruit Trade Association estimates that the world is some 120,000 tonnes short of its normal requirements of sultanas as a result of the Californian disaster. Naturally other producing countries have put up their prices.

The market price for sultanas has jumped by £250 a tonne in the past few months to £850 a tonne and traders believe that it will move considerably higher in the months ahead as supplies become exhausted. Currants, which are only produced from black seedless grapes in any quantity by Greece, have also risen sharply in price reacting to the shortage of sultanas.

Fortunately for Christmas shoppers competition among the leading grocery shops means that sultanas are still being sold at between 37p to 39p a pound drawing on old stocks, when the replacement cost is at least 50p a pound. Once these old supplies run out it can be expected that prices will rise substantially. The effect of higher-priced sultanas is already being felt by the manufacturing industry which uses an estimated 60 per cent of total sultana supplies in cakes, biscuits and other food prodruts.

California is also primarily responsible for an extreme shortage of almonds. Heavy rains reduced pollination of the trees, which had previously been hit by two years of drought, cut output of Californian almonds this year to 77,000 tonnes compared with 141,500 tonnes in 1977 and a five-year average output of 105,500 tonnes.

The world almond crop at 191,000 tonnes is not drastically lower because of much bigger production in Spain, but the problem is of supplies being available in the right place at the right time and quality specifications. Almonds in the shops are now costing between 70p to 80p a lb—almost double last year's price.

Brazil nuts are also in fairly short supply and costing 65-70p a lb against 50-60p a year ago. The reason for the shortfall of supplies is much more difficult to identify. Brazil nuts are not grown and harvested in the normal way, they simply grow wild in the Amazon region of Brazil, fall to the ground and are collected by casual workers filling up a boatload of the "husks" in which the nuts are contained. It is an arduous task giving poor rewards. It would appear that the collectors are increasingly being attracted to other, better paid, work becoming available as the development of the Amazon region gathers pace. Some Brazilian processing factories were forced to close as early as the end of July because of a shortage of supplies.

Prices of other nuts are affected by the shortfall in almonds and Brazils, but there are fairly modest increases for filberts (hazel and cob nuts) and chestnuts. Much to the relief of the trade and annual Chinese walnut boat has arrived safely and prices are only marginally higher.

Overall, however, fruit and vegetable traders are expecting bumper Christmas sales as a result of plentiful supplies and lower prices. It is estimated that fresh vegetable prices are 14 per cent lower than last year and fresh fruit 11 per cent cheaper. This compares with a rise in the cost of all food of around 7 per cent in the past 12 months.

Good weather in the past year has boosted production of home-grown fruit and vegetables considerably. Root crops are in particularly good supply, so are Brussels sprouts—the traditional British favourite vegetable at Christmas—and they are virtu-

ally half the price of a year ago.

The shortage of potatoes has been replaced by a big surplus in the past two years and prices are very low.

Imported produce is affected by the abundance of home-grown supply, even when there is not a direct alternative. Cheap apples, for example, mean that oranges cannot be too expensive since housewives switch from one to another. In fact citrus supplies are good. Satsumas, the seedless tangerine much favoured for putting in Christmas stockings, are cheaper this year because of a good crop in Spain, and Israel is stepping up sales of an alternative, with good "peelability," called Jaffarines.

Israel is also pushing fresh dates as an alternative to the traditional "glove" box dates that come from Morocco and Algeria, via Marseilles. Californian dates in tubs—claimed to be more hygienic—are also challenging "glove" dates.

Grapes and bananas are cheaper this year, but the big fall in prices is with apples. Some home-produced apples are half the price they were last Christmas when supplies were scarce following a very poor crop, especially of Cox's. This year there has been a much bigger crop, although it must be admitted that some of the quality is poor. This means that imported aples are cheaper too, so are pears even though this year's crop of Conference pears was not too good.

In spite of some rumours to the contrary mistletoe, which is largely imported from France, is in good supply and so is holly, which is fetching about 50p a bunch.

However natural Christmas trees are more expensive, with the most popular smaller trees in short supply. A four foot tree—now considered the most popular size—is likely to cost between £3 and £4 instead of £2.80 to £3.60 last year. The average price has gone up by 10p to 80p a foot, but this is an average including "tops" (without roots) and a "sleeved and blocked" tree costing more like £1.20 a foot. The shortfall in supplies of "natural" Christmas trees is attributed to growers reducing their plantings as a result of competition from the "tinsel and wire" imitation trees, which it was thought would gain a more dominant share of the market than has actually happened.

It takes eight years for Christmas trees to be produced from seedlings so the effect of the cutback in plantings is just starting to be felt. In recent years demand for trees has gone up by some 20 per cent, but it will take some time for growers to boost output sufficiently again.

The growth in demand for natural Christmas trees in the eyes of some traders confirms a swing back towards more traditional Christmas goodies. This links with a tendency for more natural fresh products. If this is true then shoppers should be well satisfied this Christmas since it is factory products that will carry the main burden of inflation.

Letters to the Editor

A moral dilemma

From Mr. M. Imrie

Sir,—I am employed at the principal grade in a fringe body of the civil service. I abhor the strike weapon, believing in honest negotiation with recourse, if necessary, to arbitration. Our 1979 pay negotiations present me with a moral dilemma.

The pay research unit (PRU), which your readers will know is an independent body, is producing figures showing the pay of direct analogues in the private sector. Indications are that this would justify an increase in excess of 20 per cent for my grade. The Government, be it Labour or Conservative, will probably insist on 5 per cent or cash limits. The difference is the extent to which the private sector has found ways round successive phases of pay restraint during the last three years. If we accept the 5 per cent guide lines the 1980 PRU will show an even greater difference (the private sector is not so inhibited). There will be valid reasons to restrain that settlement so the 1981 PRU will be unacceptable and so on. In the meantime executive officers will be qualifying for Governmental assistance for those on low pay and the level of quality recruited to the civil service will decline further. The service that attracts grudging admiration from outside our shores, and which you have come to expect, will be on a downward spiral.

Perhaps I am too pessimistic. Perhaps the Government will accept the civil service as a special case (because of the comparability aspect) and settle the 1979 PRU findings in full or in guaranteed stages. Perhaps it will allow arbitration. Indications are that it will do neither. My union is asking me to be prepared to strike. Have I any justification for refusing?

M. Imrie,
2 High Street,
Toller Porcorum,
Dorchester,
Dorset

Industrial democracy

From Mr. L. Brennan.

Sir,—The letter (December 15) from Mr. D. Wallace Bell, director of the Industrial Participation Association, betrays an impatience with employee shareholders as if they were a greater nuisance than other shareholders. Every big company's share register contains the names of people who have lost contact with the company. It would surely be inequitable to force a departing employee to sell shares merely because he might lose contact, when other people who have never worked for the company at all can remain as shareholders and lose contact if they so wish.

Mr. Bell's second point, about the "administrative burden" of industrial democracy, which he apparently hopes to reduce by encouraging employees to sell shares after five years (subject to getting full tax relief then) also runs up against the problem of equity. As the law stands now, the tax relief provided is equivalent to about another four per cent return on the invested sum and this can possibly be justified for a locked-in situation. If the tax relief were greater, people who do not work for companies with share schemes could justifiably claim that they too should have equivalent tax relief. We would then be in a different ball game. We would no longer be concerned with who owns industry and how those who work in it can achieve financial participation. We would be up against the awful problem of how to provide tax relief for genuine "savings," when some of the savers may be merely taking funds out of one pocket and putting them in another pocket where tax relief is provided.

As an adviser, Mr. Bell is perhaps over-reacting to the pinpricks felt initially by finance directors who are concerned with administering a share scheme for employees, but in my experience one of the great benefits of the new profit sharing legislation is that finance directors who have spent years thinking mainly of money suddenly find themselves thinking more about people and personnel problems. After the initial pinprick stage they like their new role and this must surely be of benefit to future industrial relations.

Lawrence Brennan.
Copeman Paterson,
236, Tavistock House,
Tavistock Square, WC1.

Indexing patents

From Dr. C. Oppenheim

Sir,—Recently your correspondence columns have devoted some space to the question of indexing patents. One point that has not been stressed is the fact that a patent represents a bargain between the State and an inventor. The state grants a monopoly, and in return the inventor must reveal all he knows about the invention. The purpose of publishing patent specifications is so that the public can read all the details of the new invention. By reducing the quality of patent classification, the Patent Office is reducing the access to patent information and thereby they are weakening their side of the bargain.

Mr. Arnot (December 6) mentioned that there is no statutory requirement compelling the Patent Office to maintain an effective information retrieval service for the public. It is high time this became a statutory requirement and I would welcome any moves in this direction.

Dr. C. Oppenheim.
(Lecturer in Information Science),
The City University.
Northampton Square, EC1.

Corporate plans laid bare

From Mr. J. Richardson

Sir,—The letter (December 14) from Mr. McDowall of British Shipbuilders provides a pleasantly sharp illustration of the unlooked-for and damaging consequences of mixing concepts of social welfare or democratic accountability with business.

Unlike the corporate plans of ICI or GEC, those of British Shipbuilders are concerned with the future disposition of "public money" and are therefore absolutely fair game for comment in the interests of "open government" or tomorrow's more fashionable catchword. The same problems will face the first private companies to have dedicated reformers on the boards in the guise of worker-directors — who will *certainly maintain that their* view of the public interest must take precedence. This is a major reason why it is so difficult to feel any confidence in the future of large-scale British industry, except as an institutional substitute for employment.

J. P. Richardson,
Humphrey's End,
Rectory Lane, Stevenage,
Hertfordshire.

An overcrowded country

From Mr. E. McGraw.

Sir,—I refer to your article on the annual statistics on social trends (December 14) in which you report that "The most important myth to be demolished this year is perhaps the one about our overcrowded islands."

The statistics from Social Trends might show that the UK has less people per square kilometre than Holland, West Germany and Belgium which although correct distort the fact that most people in the UK live in England (46.5m out of the 55.9m) and England is not only more densely populated than any other country in Europe, but is, with the exception of small island states, second only to Bangladesh as the most crowded territory in the world.

Notices which say "Please do not walk or play on the grass" or "Save our farm from the M24 motorway" capture the dilemma of a country like ours where land is so limited.

But it is the constant pressure to produce more goods from limited resources in order to pay for our food bill, and the *demands this makes on the* world community, which should convince your readers that we are an overcrowded country.

Eric J. McGraw.
Population Concern,
Margaret Pyke House,
27-35 Mortimer Street, W1.

Social trends

From Mr. J. Glyn Barton

Sir,—Pleads Joe Rogaly in earnest in his article of December 14? Or could it be he is expertly manoeuvring to cheer us all up for Christmas?

As unit trusts, for example, know, one can produce a very different picture of performance depending on the date taken as a baseline. In quoting our relative position on infant mortality, the article choses the period between 1950 and 1975 to place us ahead of Italy and West Germany—at least I think that is the period, it is not absolutely clear. What is in fact the broad reality? When the National Health Service came into being, we did indeed lead most of the world in these and associated matters. But what a deterioration has taken place since. Today we have a higher percentage of morbid and handicapped births than any country in Europe including Spain. Our standards of maternity services and pre-natal care are years behind places like France and Sweden (for example, the absence of the simple but vital nutrient test of pregnant mothers, in all but a very few areas). Perhaps most dramatic of all; our women die younger than their sisters in Europe.

With these examples, I am not sure what credence should *be placed on the other statistics* culled from "Social Trends." Of course, many of them are not compared with situations abroad but only with those at other times here. It does, however, seem clear that the Germans, Belgians, Danes and Irish drink more beer than we do, and the French and Italians more wine . . . perhaps they can afford it: that is a cheerful thought for Christmas!

2-4, Chichester Rents.
Chancery Lane, WC2.
Chancery Lane, WC2.

Looking for leadership

From Mr. M. Blakiston

Sir,—Mr. Rutherford's views (A time of uncertainty, December 8) are, I suspect, shared by a large number of people. I doubt, however, whether many would express them in terms of such sweet reasonableness.

Mr. Rutherford talks of the lack of authority of our party leaders. This country, as the issue over whether or not to join the European Money System has made clear, is currently at a cross-roads. It has to decide whether it has the abilities, and the will, to remain in the forefront of industrial nations, or whether to continue in gracious decline and end up in pride of place among countries currently regarded as emergent.

There are three important things in this country's favour at present. The limitations of demand management as a means of creating wealth have at last been recognised, and we can therefore concentrate our efforts where they should always have been concentrated: on the supply side. Our revenues from North Sea oil present us with a unique opportunity to re-equip our ageing industries and invest in new products and technology. The micro-chip revolution offers the chance for our industries to "leap-frog" our current lack of competitiveness and start on an equal footing again with our leading competitors.

Of our present political leaders, only Mr. Wedgwood Benn has committed himself to an industrial strategy involving investment on a massive scale. Mr. Callaghan seems to be edging towards it, and his hesitation over the EMS is, hopefully, one of politics and timing rather than lack of conviction. Mrs. Thatcher, leader of the one party one would expect to be taking a lead in the matter of increasing national wealth, has so far set her face against Government intervention, and will be relying on industry to regenerate itself by the simple expedient of getting Government off its back. It is possible she is right, but the evidence is not encouraging, and to many people this is just another variation of the "freedom" created by the last Conservative Administration, the results of which are not likely to be forgotten—or forgiven—for some time.

One thing is, I think, certain. The country is looking for leadership, and its current mood, given the disarray among the parties, is "a plague on both your Houses." In the next election the economic situation will emerge as the central issue, and the electorate will give its support to whichever party puts forward the most convincing proposals for halting, and reversing, the country's decline. If neither Mr. Callaghan nor Mrs. Thatcher does this at least one of the beneficiaries could be Mr. Wedgwood Benn.

M. P. F. Blakiston.
90, York Mansions,
Prince of Wales Drive, SW11.

Today's Events

GENERAL

EEC Foreign Ministers' meeting in Brussels consider report on General Agreement or Tariffs and Trade (GATT) talks; and aid for steel industry.

Agricultural Ministers of EEC in Brussels discuss fixing farm prices, and improving wine sector efficiency.

Meeting in Brussels, EEC Environment Ministers plan policy for environmental development.

Rhodesian Parliament reassembles to repeal all racial discrimination legislation.

Australian Prime Minister, Mr. Malcolm Fraser, on official tour in the U.S.

Turkish Prime Minister, Mr. Bulent Ecevit, in Sweden on official tour.

U.S. Treasury gold sales in Washington—1.5m oz on offer.

Last day for posting first class Christmas mail.

International court of justice at The Hague decides whether it has jurisdiction in dispute between Greece and Turkey on Agean Sea oil rights.

Sir Kenneth Cork, Lord Mayor of London, attends Turners' Company dinner at Apothecaries' Hall.

Health and Safety Executive annual report published.

OFFICIAL STATISTICS

Department of Employment publishes December provisional figures for unemployment and unfilled vacancies. Third quarter provisional gross domestic product.

COMPANY RESULTS

Final dividend: Northern Foods. Plaxton's (Scarborough) Porvair. Westinghouse Brake and Signal Company. **Interim dividends:** *County and District Properties.* Diamond Stylus Company. Electric and General Investment Company. FMC. Laurence Scott. Plysu. Stanhope General Investment Company. Tex Abrasives. **Interim figures:** Hazlewoods Proprietary (third quarter).

COMPANY MEETINGS

H. J. Baldwin, Winchester House, 100 Old Broad Street, EC, 11.30. Clyde Blowers, Livingstone Street, Clydebank, Dumbartonshire, 11. Hartley Baird, Winchester House, 100 Old Broad Street, EC, 2.30. Jenks and Cattell, Park Hall Hotel, Goldthorn Park, Wolverhampton, 12.15. Moran Tea, Tea Brokers' Association, Sir John Lyon House, High Timber Street, EC, 12. Morland, Ock Street, Abingdon, Oxfordshire, 12.30. Yorkshire and Lancashire Investment Trust, Bank House, Charlottet Street, Manchester, 12.

Tricentrol profits surge in first nine months

REPEATING the achievement of the same period last year, Tricentrol has more than doubled pre-tax profits for the first nine months of 1978, from £3.4m to £7.01m, despite oil production delays.

The Thistle Field produced 13.6m barrels of oil in the nine months, Tricentrol's share being 1.31m barrels, giving a pre-tax profit of £3.6m.

Production was below prediction because the number of wells completed was below forecast, the directors say. No crude has been sold on Tricentrol's behalf in the third quarter.

The reduced rate of drilling will result in fewer production wells being drilled in 1979 and has reduced the operators' estimate to 45m barrels—Tricentrol, 4.3m barrels. Severe weather has limited production in the last quarter of this year.

The group has been able to improve its financial position by renegotiations of its medium-term loans.

As announced last month, the *refinancing of a substantial part* of the Thistle Field loans has now been successfully completed. In addition, a U.S.$12m loan for seven years has been signed with the Royal Bank of Canada.

Of this sum, $9.6m has been used to repay other group loans from the Royal Bank of Canada, while the balance has been used to increase the capitalisation of European companies.

In commercial activities in the *UK, third quarter profits* of £0.7m were depressed by supply difficulties in several businesses *and the usual seasonal weakness in the garden trade.*

The automotive division continued to perform well in the third quarter with profits for the first nine months topping £2m.

	Nine months 1978 £000	1977 £000
Turnover:		
UK oil and gas	9,531	—
North America:		
Oil and gas—Canada	3,411	3,697
—U.S.	2,152	2,323
UK:		
Automotive	63,226	38,211
Trading	23,709	17,036
Europe:		
Trading	6,519	6,423
Other activities:		
Manufac.—Australia	355	344
Trading—Canada	1,892	2,367
Operating companies	110,796	70,401
Profits:		
UK oil and gas	3,600	*78
North America:		
Oil and gas—Canada	893	1,040
—U.S.	874	1,060
UK:		
Automotive	2,048	1,202
Trading	632	333
Europe:		
Trading loss	300	†154
Other Activities:		
Manufac.—Australia	47	20
Trading—Canada loss	71	35
Operating companies	7,723	3,696
Research expenditure	182	54
Central costs	351	200
Interest payable	298	339
Interest receivable	254	503
Operating profit	7,146	3,606
Exceptional debits	137	209
Profit before tax	7,009	3,397
Tax	2,761	463
Net profit	4,248	2,934
Interest	5	43
Attributable	4,243	2,891
Interim dividend	329	241
Retentions	3,914	2,650

* Loss. † Profit

Travel group's profits improved further with the agencies again making a good contribution.

Profits of the trading division in the third quarter, though only some £60,000, represent a substantial improvement on the corresponding period for any recent year.

Tricentrol Builders' Merchants, *benfiting from tight overhead* control and the branch rationalisation that was undertaken in 1977, achieved record results.

Sales revenues in local currency terms in Europe are now running at about the same levels as in 1977. Organisations in Holland and Belgium are now able to handle more activity.

The manufacturing group in Australia made a profit of £28,000 during the third quarter.

● comment

Production from the Thistle Field was less than expected in the third quarter and Tricentrol's profits from the field were consequently lower than those of the second quarter as it takes its profist on a pro-rata production basis. Severe weather conditions have further hindered fourth-quarter production. But the field is now on the Brent system and, with the Sullom Voe terminal now operational, production should improve in 1979. I the U.S. and Canada, oil and gas profits were also down. The UK automotive operations, based on Ford and Vauxhall franchises, had *a very strong* third quarter and, at the end of the first nine months, were well ahead of last year. The Ford strike is expected to hit the fourth-quarter figures and, as a result, profits from this sector are likely to be down on the final quarter of last year but ahead of last year's full-year figure. UK trading profits in the third quarter were small but substantially better than the same period last year, while those in Europe added to that division's losses already sustained in the first half. With the prospects for the fourth quarter *not particularly encouraging*, the company may have to struggle to reach the £10.5m analysts estimate. The shares at 155p are on a *p/e* of 9.6 and a yield (assuming the 25 per cent increased expected) of 1.6 per cent.

J. Jackson expands to £2.8m

INCLUDING A £489,100 profit on sale of quoted investments, compared with £176,028, pre-tax profits of **J. and H. B. Jackson**, metal merchant, advanced from £2.29m to £2.78m for the year to September 30, 1978.

At the interim stage, when profits showed little change at £1.2m (£1.16m), the directors said they expected the full year figure to show a modest improvement over last year's record result, without taking into account profits on investments sale.

They now say that they expect to continue the progress made over recent years.

Yearly earnings per 5p share are shown to have risen from 5.6p to 6.5p and the final dividend is 0.5133375p net, raising the total *from 0.9075p to 1.0133375p.*

At September 30 the value of cash and investments stood slightly in excess of £4m.

	1977-78 £	1976-77 £
Sales	22,732,453	19,543,611
Trading profit	2,318,532	2,139,461
Loan stock	28,887	30,356
Sale inv. profit	489,100	176,028
Pre-tax profit	2,778,745	2,285,133
Tax	816,910	6?2,2??
Deferred tax	301,851	252,919
Net profit	1,659,984	1,350,014

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Anglo-Amer Asphalt int.	1.07	Feb. 19	1.07	—	2.69
Bell & Sime int.	0.87	Feb. 9	0.87	—	4.77
Christy Bros. int.	0.67	Feb. 16	0.66	—	2.8
Crown House 2nd int.	1.58§	Feb. 23	—	—	3.38
Danae Inv. Tst. int.	1.5	Feb. 23	1.35	—	3.1
S. Leboff int.	0.85	—	0.77	—	1.75
J. & H. B. Jackson	0.51	April 10	0.5	1.01	0.97
Ldn. Liverpool Tst. int.	0.13	—	0.13	—	0.59
A. Monk int.	1	Feb. 14	1	—	3.51
North British Steel	1.37‡	Feb. 16	1.22	2.03	1.82
Siebe Gorman int.	2.4	March 30	2.21	—	5.64
Sotheby Parke Bernet	6	Feb. 6	5.08	9	5.08

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes payment on ACT reduction. § Making 2p (1.1p) to date.

Siebe Gorman ahead and confident

FROM increased turnover of £22.55m against £19.11m, profits before tax of **Siebe Gorman Holdings** rose from £1.92m to £2.11m in the six months ended September 30, 1978.

The growth in both sales and profits continues and the directors are confident this growth and progress will be maintained.

The interim dividend is raised from 2.212p to 2.4p—last year's total was 5.641p from pre-tax *profits of £4.47m.*

The first-half profit includes associated companies contribution of £162,000 (£151,000) and is before tax of £881,000 *against* £957,000. The group makes fire-fighting equipment and under-water products, industrial safety and survival equipment and leisure and protective wear.

Reversionary bonus rates

AN unchanged final bonus rate of 30 per cent of attaching reversionary bonuses is announced by the **National Mutual Life Assurance Society**. This bonus is paid on with-profit policies when they become claims by death or maturity. The company has maintained this rate since July 1, 1977, when it was increased from 25 per cent and this latest decision reflects the static situation of the stock market this year.

National Mutual operates a biennial basis for its main reversionary bonus system, and the rates for the two years ending December 31, 1978 will be declared when the valuation results are available. The previous declaration on endowment assurances was £4.20 per cent per annum compound.

Friends' Provident Life Office is lifting the interim reversionary bonus rate on its personal pension policies for the self-employed from £5.30 per cent per annum to £5.50 per cent per annum compound. This is the second increase since the basic reversionary bonus rate was declared at the end of 1976 of £5 per cent, and reflects the *higher return of the pension* funds.

Thus for a man aged 39 an annual ocntribution £500 a year will produce a cash sum at age 65 of £61,548, assuming this new rate remains unchanged, compared with a projected value of £58,841 on the previous rate.

The company is keeping its interim bonus rates for ordinary life and endowment business in the UK unchanged at £4.40 per cent per annum compound.

Hanson Trust expecting long period of growth

GROWTH AT **Hanson Trust** will continue long into the future, *Sir James Hanson, the chairman,* tells shareholders and the group has the capacity to produce an increasing return and growth in earnings annually.

Referring to the more than three times covered dividend, the chairman says that as soon *as it is possible, it is intended* to bring shareholders' return more into line with earnings growth.

Following two years of doubled profits, the group produced record pre-tax profits of £26.1m for the year ended September 30, *1978, against £24.4m. This is the* 15th consecutive year of increased profits, says the chairman.

Had the sterling-dollar exchange rate been the same at the year-end as at the beginning, an additional £1.8m profit would *have been reported.*

On a CCA basis, pre-tax profit is reduced to £22.9m (£21.5m) after adjustments for depreciation, *£3.5m (£2.3m)*, cost of sales, £1.1m (£1.6m) and gearing, £1.4m (£1m).

The balance sheet is stronger with cash funds in excess of £50m and net indebtedness remaining low.

Although the group has not been able to invest in new businesses in the UK to the extent it would have liked it has recently agreed to acquire the Henry Campbell Group. U.S. opportunities abound and continued progress is expected there.

Meeting, Great Eastern Hotel, E.C., January 17, at 11.30 a.m.

Williams Lea recovers in second half

Second half pre-tax profits of £510,657 against £415,300 lifted **Williams Lea Group**, printer, to *a record £734,791 for the year to* October 1, 1978 compared with a previous £715,541. Sales for the period rose from £7.66m to £9.11m.

Mr. David Donne, the chairman, says the group has made a much better start to the current year than last year, and the directors feel confident of a good performance, "provided there are no disruptions from any quarter."

The directors are recommending a final dividend of 122.16p per £1 share, making a total of 221.21p.

The chairman says that the first few months of the year under review were adversely affected by the financial priting section of the business, resulting from the sudden reduction in work concerned with Eurodollar loans.

During the year the company, which is unquoted, spent nearly £750,000 on plant and equipment and has plans for a further investment in new technology during the current year.

Sotheby's pays 9p total as earnings forge ahead

AFTER AN advance from £1.94m to £2.44m at the interim stage, pre-tax earnings of **Sotherby Parke Bernet Group** finished the year to August 31, 1978 well ahead from £4.87m to £7.02m.

Net auction sales for the 12 months totalled *£161.1m* (£123.94m) and gross revenue improved to £31.48m (£24.19m).

Tax takes £3.37m (£2.44m) leaving the net balance up from £2.44m to £3.65m.

Earnings per 25p share are shown to have risen from 23.9p to *33.8p* and the *final dividend* is 6p net for a 9p (5.0754p) total. The cost of the dividend, ignoring waivers, is 981,000 (£553,219).

On prospects the directors say that during the first four months of the current season net auction sales (excluding real estate) are *expected to approximate £72m*, compared with £51.9m for the corresponding period, an increase of 38 per cent.

While the prospects for the next few months look encouraging, it is impossible — given the nature of our business — to forecast how the remainder of the season might develop. There does seem, however, to be an increasing awareness and interest in the international art market, not least as a result of the continual and widespread publicity attributed to auction sales throughout the world.

See Lex

Similar result for S. Leboff

PROFITS before tax of **S. Leboff (Fobel)** slumped from £876,614 *to £20,214 in the first* half of 1978 but it is expected that the year's profits will be very similar to the £1.02m achieved last year.

The *interim* dividend is lifted from 0.7683p to 0.845p and a maximum permitted total is expected—last year's total was 1.75p.

Turnover for the half-year was down from £9.1m to £8.4m. Following the change in deferred tax, the directors consider it impractical to show a tax charge.

Results for the first-half are much in line with those foreshadowed in the annual report, the *directors* say. The DIY division has shown good turnover and profit growth and this trend has continued at a satisfactory rate in the *second half.*

As known turnover of the electronics division was well down on the first half of 1977, resulting in a substantial *loss for* the period.

During the second half of 1978 electronics manufacturing has shown a considerable profit but heavy research and development costs (which are written-off as they are incurred) and marketing costs will almost certainly prevent this division from being profitable for the year.

The litigation referred to in the annual report is not yet resolved. While it is not possible to predict the outcome, as the amount involved is very substantial it must be hoped that the outcome will be favourable, the directors say.

The improvement in both turnover and profits of the DIY division is clearly set to continue even more strongly during 1979, a much better position than at *the same time last year*, with a good order book and every prospect of a successful year ahead.

British Sugar quota outlook

With EEC production quotas due for renegotiation by 1980, it *must benefit* the **British Sugar Corporation** and the country to produce in excess of the "A" quota of 1.04m tonnes, Sir Gerald Thorley, the chairman, says in his annual report.

As low cost producers, the chairman says the group feels entitled to claim that its quota should be increased "or even if others are reduced, that ours should be maintained."

The present quota enables the group to produce up to 1.3m tonnes per annum, slightly in excess of the group's target of 1.25m tonnes. At the end of this fourth year of the five-year plan, the group will have installed capacity to process this target in a 120-day campaign.

Increased sugar production can be expected in the current year due to a larger area being drilled to beet and higher yields per hectare, the chairman says.

Sugar sales should further increase and increased pulp *sales will help both growers and* the group.

In 1977-78, it was the third year in succession in which *sales increased substantially* and means that the group is right on course to achieve its aim of supplying half the nation's sugar by 1980-81.

Turnover for the year to September 24, 1978, rose from £268.27m to £304.22m and profits before tax were £25.58m against *£20.47m.* Profit was reduced to £13.4m after adjustments for depreciation, *£11.75m*, cost of sales, £585,000 and gearing, £157,000.

The Government holds some 24 per cent of the group's capital.

Meeting, Hyde Park Hotel, S.W., January 11 at noon.

Gresham Trust set for record year

Profits of **Gresham Investment Trust** improved from £453,000 to £502,000 in the six months ended September 30, 1978 before tax of £167,000 against £166,000.

And the board expects that the percentage rise in the first half profit—10.8 per cent—will be maintained in the second six months.

Commenting on the first half result, Mr. Peter Wreford, chairman, says the improvement is well in line with what he was expecting when he forecast in August that record profits were expected for the current year.

The interim dividend is lifted by the maximum permitted, from 0.71339p to *0.79661p*. The total last year was 2.01898p from pre-tax profits of £1.06m.

The first half *profit* before tax does not include earnings of companies where the group's interest exceeds 20 per cent. If their attributable profits (in excess of the dividends received from them) had been consolidated, pre-tax profit *would have increased* from £502,000 to £734,000 (£582,000).

Capital profits for the six months before tax but after provisions amounted to £650,000.

Net asset value as at September 30 after adjusting listed investments and unlisted investments to market value and directors' valuation respectively and allowing for tax on unrealised profits, was 70p per share.

The group is in a very liquid position, the chairman says. Some 35 per cent of the net asset value is at present represented by cash, gilt-edged securities and short-term deposits.

This means that the group is well placed to meet any demand for finance from industrial and commercial companies or non-successful private companies needing an injection of share and loan capital.

Companies and Markets — UK COMPANY NEWS

A. Monk sees full year outcome at around £3m

THE DIRECTORS of A. Monk and Company, civil engineer and building contractor, say pre-tax profits for the year to February 28, 1979 are unlikely to exceed £3m by any significant sum.

In the previous full year, a £2.73m surplus was struck after a £1.71m provision against trading debt due from its Nigerian subsidiary, Petra Monk Engineering and Contracting Company.

Taxable profits for the half-year to August 31, 1978 were £1.26m, compared with £0.97m which was after a £1m Nigerian provision. Turnover rose from £38.1m to £41.6m.

In the UK, first-half trading results are lower than expected and some 35 per cent below earnings of the same period last year, the directors state.

Delays in the settlement of contracts completed in prior years reduced the anticipated profit accruing from this source and margins on current work have come under pressure. The directors believe these trends will continue for the immediate future.

Included in the 1977-78 accounts was an amount of £450,000 in respect of the cost of the acquisition last February of DMJ and its associates. However, draft accounts of these companies as at May 31, 1978 show a net asset deficiency of £658,000 which has been treated as part of the cost of the investment.

The loss incurred at arriving at this deficiency will form the basis of claims under the purchase agreements, say the directors.

At this stage, they say it is not possible to estimate the outcome of these claims, nor to quantify the amount that may need to be written off as an extraordinary item.

Trading losses since acquisition, of £50,000 have been included in interim results.

Overseas, activities of the Nigerian subsidiary proceed on a limited basis. Despite regular submissions to the Authority concerned, little progress has been made on settlement for the contract for the reconstruction of the Ikorodu and Airport Roads.

In accordance with the provisions for the Nigerian Enterprises Promotion Decree, 1977, this subsidiary will become 60 per cent Nigerian-owned after December 31, 1978, and arrangements to effect this have now been made.

After tax of £657,000 (£503,000) and minorities, £40,000 (£32,000), attributable profits for the period expanded from £432,000 to £587,000.

The interim dividend is maintained at 1p net per 25p share, costing £108,000 (same)—last year's final was 2.5085p.

SCOTT. NORTHERN DOLLAR LOAN

Scottish Northern Investment Trust has renewed its loan of U.S.$ 3.5m from Clydesdale Bank for three months with effect from December 8, 1978 at 13 per cent per annum.

Christy Bros. sees shortfall

ALTHOUGH TAXABLE profits of Christy Brothers, the mechanical and electrical engineering group, were up £6,000 to £74,000 for the six months to September 30, 1978, the directors warn that the full year figure is not expected to reach the previous year's record level, when a £311,000 surplus was achieved.

They say that despite a continuing demand for the company's total range of products, the loss of certain contracts expected for the second six months has caused them to view the immediate future with greater concern.

Stated pre-tax earnings per 25p share are 3.7p (4.2p), and 3.4p (3.8p) after tax. The interim dividend is 0.67p (0.60p) net and the directors expect to recommend payment of a final—last year's final was 2.144p.

	Half year 1978 £000	1977 £000	Year 1977-78 £000
Turnover	2,825	2,101	4,967
Profit	114	105	280
Interest payable	40	37	69
Profit before tax	74	68	211
Tax	7	6	27
Net profit	67	62	184
Extraord debits	3	5	9
Dividends	14	12	55
Leaving	50	45	120

Crown House expansion

WITH TAXABLE surplus up from £1.11m to £1.48m on turnover of £48.31m against £43.44m for the six months to September 30, 1978, the directors of Crown House expect a further advance in profits for the full year compared with 1977-78, when a peak £3.29m was achieved.

Conditions in contract engineering and in merchanting remain competitive, despite reasonably buoyant demand, they state, while trading in the remaining areas of the group has shown a satisfactory improvement.

The group's interests are in electrical and mechanical engineering and contracting, and table glassware manufacturing.

A second interim dividend of 1.58p net makes a total of 2p to date, compared with a 1.1p interim last time—the 1977-78 final was 2.28p.

After tax of £0.77m (£0.58m) and minorities, half-yearly attributable profits advanced from £0.53m to £0.7m.

	First half 1978 £000	1977 £000
Turnover	48,313	43,436
Profit before tax	*1,475	1,103
Corporation tax	767	576
Extraord. debits	8	—
Minority loss	4	†1
Available	704	531
Preference div.	13	13
Ordinary	415	228
Retained	276	290

* After depreciation on freehold properties £53,359. Previously depreciation on freehold was charged only in respect of Middle East, and amounted to £7,678.
† Profit.

● **comment**

Profits from Crown House's glassware division jumped 40 per cent to £747,000 in the first half and eclipsed, for the first time, the profit contribution of £695,000 from the contracting division. The glassware jump reflects strong demand, the opening of new "shops within shops" retailing Crown House glassware and the repackaging of cheaper products previously sold to hotels, which has proved attractive to general consumers. On the traditional electrical contracting side, revenue rose from £34.1m to £36.5m with margins at 1.9 per cent. These figures show the pressure on margins in the UK where competition for contracts is particularly fierce. The outlook for the second half is brighter with trading activities buoyant. Pre-tax profits will receive abou ta £500,000 boost from the completion of two property projects in the period. Moreover there is a slight possibility of a dividend increase greater than the 10 per cent allowable but this involves convincing the Treasury that the cover in 1972 was exceptional. The shares closed unchanged at 63½p yesterday giving a prospective yield of at least 8.8 per cent.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Cooper Industries, County and District Properties, Diamond Stylus, Electric and General Investments, FMC, Laurence Scott, Pyau Stanhope and General Investment, Tex Abrasives.

Finals:—Northchart Investments, Northern Foods, Plaxtons (Scarborough), Porvair, Westinghouse Brake and Signal.

FUTURE DATES

Interims:—

Danks Gowerton	Dec. 20
Fodens	Jan. 4
Norton and Wright	Dec. 21

Finals:—

Cronite	Dec. 21
Westland Aircraft	Jan. 10

N. British Steel tops £1m

UNCHANGED SECOND half pre-tax profits of £0.44m for North British Steel Group (Holdings) resulted in the full year figure to September 30, 1978 ahead from £0.9m to £1.01m, on sales of £9.98m against £8.79m.

At the interim stage, the directors said that if the company could attract sufficient business for its heavier range of foundries, it should achieve profits equal to the previous year.

Stated earnings per 25p share rose from 8.2p to 8.7p and a final dividend of 1.36675p, including payment on ACT reduction, lifts the total from 1.815p to 2.02675p net.

After tax of £0.53m against £0.47m, net profits increased from £0.43m to £0.48m.

Sharp gain at Bremar

MAINLY DUE to substantially increased activity in domestic banking and corporate finance services, operating profits of Bremar Holdings, the unquoted banking and financial group, more than doubled from £460,566 to £963,510 for the six months to September 30, 1978.

Mr. Erwin Brecher, the chairman, says indications are that the progress is being maintained for the rest of the year.

For the previous full year, profits reached a record £1,378,978.

After tax, exceptional items and minorities, first-half profits improved from £360,975 to £400,064.

At the half year, shareholders' funds stood at £6.11m (£5.69m at March 31, 1978).

They point out, however, that the rate of progress shown will not be sustained in the current half because of a significant decline in the margins attainable for optical products. Other activities include the manufacture of garden implements and holloware products.

Sales for the first half improved from £1.98m to £2.48m. After tax of £54,000 (£33,000), the net profit came out at £50,000, compared with £30,000, for stated earnings of 2.4p (1.44p) per share. To reduce disparity, the interim dividend is raised from 0.65p to 1p—last year's final was 1.5p.

British Vita applying for dividend boost

The directors of British Vita, the foam products company, are hoping the Treasury will allow them to give shareholders a larger than normal dividend increase.

The Board is expecting to be allowed to count for dividend cover purposes, some £1.8m profits from the group's 50 per cent share in the Nigerian company. This is despite the fact that the share was reduced to 20 per cent after that company's year-end in September, but before British Vita's calendar year-end.

This could give scope for an increase in dividend of about one-third instead of the standard limit.

Mr. Fernley Parker, the chairman, says the group was caught with a low dividend when dividend restrictions came in. "We have been looking for a way to break out, although I would not want to pay a dividend in one year that we could not repeat in the next."

The group is well pleased with its recent Caligen Foam acquisition and looks likely to seek more takeovers in its field. It has a five-year growth plan and is hoping to achieve a target of 50 per cent profits from UK and 50 per cent overseas by 1980.

E. Elliott progress

For the half year ended September 30, 1978, profits of E. Elliott have advanced by £41,000 to £104,000 and the directors are looking for a satisfactory result for the full year, against £247,000 in 1977-78.

British Steam £1m midway

ON A turnover increased by 19 per cent from £14.58m to £17.38m, profit before tax of **British Steam Specialities Group**, specialist supplier of pipeline equipment, advanced 34.8 per cent from £913,000 to £1.23m in the half-year ended September 30, 1978.

After tax up from £475,000 to £640,000 net profit rose from £438,000 to £591,000.

The net interim dividend is effectively raised from 1.36p to 1.5p per 20p share at a cost of £155,000 (£141,000). Last year's total was equivalent to 4.67p, paid on record pre-tax profits of £2.27m.

A final dividend of 1.5p cuts the total *from 4p to 2p per share.*

A. Continental Finance profit falls to £2.5m

For the year ended June 30, 1978, profits before tax of **Anglo-*Continental Investment* and Finance**, a subsidiary of Generale Occidentale, fell from £5.15m to £2.46m.

The profit includes operating profit of £4.71m (£2.39m) and associates profits, £650,000 against £5.56m and is after central expenses of £2.9m (£3m).

Tax takes £1.04m (£2.5m) and after minorities of £344,000 (£466,000) and an extraordinary credit, £894,000 against a £2.56m debit last time, attributable profit for the year amounts to £1.97m compared with a £344,000 deficit.

The dividend is 1.5p (*nil*).

Another subsidiary, **Flag Investment Company**, reports profits down from £899,539 to £391,237 for 1977-78 before tax of £200,292 (£369,663).

Recovery seen by AA Asphalt

FOR THE six months to September 30, 1978, **Anglo American Asphalt Company** reports a slump in taxable profits from £254,000 to £3,000 and a deficit of £17,000 at the attributable level, compared with a profit of £119,000.

However, the directors are confident of a return to profitability in the near future and are recommending an unchanged interim dividend of 1.065p net. *Last year's total payment was* 2.685p from pre-tax profits of £254,000.

PMA LOAN STOCK CANCELLED

PMA Holdings, the furniture *group*, has agreed to issue 187,500 shares (6.3 per cent of the enlarged capital) for the cancellation of all the £116,250 nominal of the secured loan stock 1976/79.

Mr. M. Levy, the owner of the loan stock, will receive 87,500 share and £62,000 cash, the latter to be raised by the placing of the other 100,000 shares at 62p per share.

Mr. Levy acquired the stock as the final instalment of the consideration for J. Ellman and Son.

Rotaflex expands range with Linolite purchase

For an initial consideration of £1.1m, **Rotaflex**, *the electric light* fittings and systems manufacturer, has agreed to buy the privately-owned Linolite concern.

Linolite, which makes fluorescent strip and picture lights, could cost Rotaflex up to a further £100,000 depending upon Linolite's profits performance in the year to March 31, 1979.

Last year the group earned £285,000 pre-tax profit at which time net assets were said to be £671,500. Since then, however, the group's main property has been revalued taking its book value up from £51,000 to £202,000.

Rotaflex will next month make a first payment of £900,000—half in cash and half in shares. The balance is due to be paid next August.

The group said that the Linolite acquisition will fill in gaps in its range to produce a comprehensive lightings business. It also intends to extend Linolite's export operations.

Capel-Cure Myers has made the offer on behalf of Rotaflex, while Linolite has been advised by Morgan Grenfell.

DIVERSEY

Diversey has acquired the kitchen hygiene business of Albright and Wilson Service Products which comprises products and services concerned with industrial machine dish-washing, cleaning and hygiene, and floor care.

Diversey, which recently acquired *Molson Industries of* Canada, supplies cleaning and hygiene products and services to the catering industry, as well as supplying speciality chemicals to the food, brewing, and agricul*tural industries.*

ART WALLPAPERS ACQUISITION

Art Wallpapers, the DIY subsidiary of Great Universal Stores, has agreed to acquire Rose and Co. (Wallpapers and Paints) from Imperial Chemical Industries.

Rose trades from 57 DIY shops in Scotland, the North, Midlands *and South-West England.* Art Wallpapers has 80 shops in London and the South-Eeast. Both companies sell a similar *range of decorative materials* and geographically the acquisition will provide G.U.S. with a national network of DIY stores. G.U.S. in addition has a substantial market in DIY products through its mail order catalogues.

BELHAVEN SALE

Belhaven Brewery has accepted a £435,000 cash offer from **Ellerman Lines** for the *freehold* of two hotels and the long leasehold of a third, subject to contract. Belhaven plans to use the proceeds in the expansion of its tenanted houses division.

The hotels are currently leased to Ellerman Travel. They have a book value of £416,000 and contribute £36,000 annually to rental income.

GEORGE WIMPEY

Shareholders of **George Wimpey and Co.** have approved the scheme of arrangement whereby shares in that company *will be exchanged for shares in a new holding company.*

The scheme is expected to become effective on January 26 *and dealings in the new company's* shares should start on January 29.

DAVID DIXON

Mr. Ronald Palfreyman, former chairman of **David Dixon**, manu*facturers of woollen* and worsted cloth, has sold his stake of around 11 per cent in the group.

Meanwhile, Dixon's rights *issue has been taken up as to* 95.96 per cent. The balance has been sold at a premium of 13½p per share. Net proceeds, which represent 12p per share, will be distributed to entitled shareholders.

ASDA OFFER UNCONDITIONAL

The offers on behalf of the **Associated Dairies Group** to acquire both Associated Dairies and Allied Retailers have been declared unconditional and re*main open for acceptance.*

The offer for Associated has been accepted by 98,790,151 ordinary representing 91.3 per cent and 437,409 preference—87.5 per cent.

The Allied offers have been accepted by 94.2 per cent of the ordinary and 97 per cent of the preference capital.

Associated Dairies Group intends to acquire compulsorily the outstanding ordinary and preference shares in *Associated* and in Allied.

SHARE STAKE

Lerex — Mr. K. Maharajh, managing director, is now interested in 194,000 shares.

Bovis buys house builder for £4.45m

Bovis Homes, the house-building element of the P and O group, has acquired B-Vis Constructions, a leading Midlands-based housing company, and two associated companies, for £4.45m.

The acquisition complements Bovis Homes' existing building *programme* in the West Midlands. Commenting on the B-Vis deal, Mr. Malcolm Paris, chairman of Bovis says; "this substan*tially* strengthens our sales coverage in the area, providing us with two large, strategically placed sites in a region where *demand* for private housing is high."

B-Vis is currently developing 600 houses at Manor Way, Halesowen, ad has recently gained planning consent for 900 new homes at Oak Farm, Warmley.

Other B-Vis activities include two public sector contracts *for* the housing corporation at Sutton and Wednesbury. Both are nearing completion.

TOOTAL HAS 49.9% OF BRADMILL

Tootal has increased its stake in **Bradmill Industries**, the Australian textile and clothing company, from 40 per cent to 49.9 per cent.

The move has the agreement of the Australian authorities. Tootal acquired its original holding in March this year when the group said that the acquisition would place its Australian operations on a more sound footing.

The British group has acquired *all its shares in Bradmill from* Mr. Bernard Hendel, who says he will remain a major shareholder in Bradmill. Mr. Hendel has also recently been buying shares in another Australian company, Olympic Consolidated.

U.S. coal mine given new Act go-ahead

BY PAUL CHEESERIGHT

APPROVALS for the first major new coal mine in the U.S. under the final regulations promulgated to bring into force the Surface Mining Control and Reclamation Act 1977 have been received by Rocky Mountain Energy for a 6.3m tons a year operation in Wyoming.

The pulling together of the package of approvals for the mine on federal lands represents the start of a new era for U.S. coal mining. It took nearly 40 years for Congress to enact a federal surface mining law. The 1977 Act, with its regulations, is the most comprehensive of all environmental measures available to regulate coal mining.

Rocky *Mountain Energy is a* Union Pacific unit. Its Wyoming operation is at the Black Butte mine east of Rock Springs, and *is a joint venture with* Peter Kiewit Sons Inc.

Initial production at Black Butte is expected at the end of next year with full production in 1981. Long-term contracts have been signed for the output. Idaho Power and Light will take 3.3m tons a year for 25 years and Commonwealth Edison of Chicago will take 3m tons a year for 20 years.

Construction of the opencast mine will start shortly following the approval of a mine plan by the Department of the Interior. All the necessary state and *federal permits* have been obtained, Rocky Mountain Energy said.

The cost of development has not been disclosed but if industry predictions about the impact of the Surface Mining Control and Reclamation Act are correct, then the price of meeting the new regulations will have been substantial.

"All indications are that they will be extremely expensive to comply with both in terms of dollars and man hours. In fact it is not clear that all of the new regulations can be complied with," Mr. *Donald Humphreys*, senior counsel at Utah International told the American Mining Congress last October.

A basic object of the Act is "to assure that the coal supply essential to the nation's energy requirements and to its economic and social well-being is provided and strike a balance between protection of the environment and agricultural productivity and the nation's need for coal as an essential source of energy."

To this end, the Act and its regulations lay down the conditions under which mining may take place and make provision for the reclamation of used land. Mining may be precluded if reclamation cannot take place in a fashion meeting federal requirements.

Administration is in the hands of the Office of Surface Mining Reclamation and Enforcement within the Department of the Interior, and it is this Office which has been engaged in lengthy consultations with industry about the shape of the final regulations.

The Department of the Interior does have a co-operative agreement with the state of Wyoming, which gives the state a crucial role in the application of the regulations.

It seems inevitable that Rocky Mountain Energy was caught up not only in the period of *uncertainty when the final regu*lations were being worked out but also in the vigorous affirmation by the state of its right to regulatory control and its criticism of the intrusion of the new Department of Interior office.

The industry itself has been critical of the 1977 Act in general and its application in particular. An American Mining Congress policy statement said that legislation "will prove unnecessarily restrictive" and charged that "many of the new regulations are unreasonable and inflexible."

However, Rocky Mountain Energy's apparent success in climbing over the obstacles goes a small way towards helping the industry meet President Carter's target of 1.2bn tonnes of annual coal production by 1985. At present output is running at around *half* that target.

Sibeka out of Ashton

BELGIUM'S Societe d'Enterprise et d'Investissements (Sibeka) has pulled out of the Rio-Tinto-Zinc group's Ashton diamond exploration venture in Western Australia. No reason is given by the Belgian group for its decision to sell its 7 per cent interest in the venture to the other partners.

While this may be only a normal investment realisation decision, the absence of any official comment sharply unsettled share prices of the other Ashton partners in this sensitive sharemarket. In particular, the market was disturbed by the relatively low agreed price announced for the sale of A$5.04m (£2.9m) which set a value on the venture of A$72m.

In turn, this suggested a value of A$16.13m for Ashton Mining's present 22.4 per cent stake in the venture, or 23 cents per *per share of the company.* This compares with the recent share offer price of 50 cents.

In London yesterday, Ashton Mining shares were marked down 14p to 62p while those of Northern Mining were lowered 17p to 65p and those of Conzinc Riotinto fell 10p to 260. Shares of Tanganyika Concessions held at 164p.

As a result of the realignment of shareholdings, CRA's interest goes up to 56.8 per cent from 52.6 per cent. The Ashton Mining stake climbs to 24.2 per cent *from* 22.4 per cent, *that of* Tanaust Proprietory, the name given to the Tanganyika Holdings interest, goes to 9.1 per cent *from* 8.4 per cent, and the holding of AO (Australia) rises to 4.9 per cent from 4.6 per cent.

Northern Mining's holding remains at 5 *per cent.*

The Sibeka sale comes at a time when the venture has reached an intriguing stage. Surface *testing* in the exploration area has revealed the presence of mainly small diamonds of mixed industrial and gem quality, enough to encourage CRA to move into a bulk sampling phase. But how valuable, or how economic, the discovery will turn out to be has not yet been determined.

RESULTS AND ACCOUNTS IN BRIEF

SCOTTISH HOMES INVESTMENT CO.—Interim dividend 0.675p (0.6p) for 1978-79. Turnover £2.03m for half-year to September 30 (£3.5m for year to March 31, 1978). Pre-tax profit £234,785 (£350,920). Tax £58,000 (£89,131). Board expects results for full year to justify final dividend of not less than last years payment of *0.9p per share.*

TRAFFORD CARPETS (Hldgs.)—Turnover £1,948,000 (£1,628,000) for six months to September 30, 1978. Pre-tax profit £42,500 (£68,700). Tax £22,100 (£35,700). Earnings *per* share 1.4p (2.3p). Int. 1.0p (same). Pay April 6.

WESTPOOL INVESTMENT TRUST—Revenue available half year to October 31, 1978 £151,133 (£123,688) after tax £89,252 (£87,688). Int.—already announced—1.2p (1.1p). Net asset value per share 141.8p (141.5p).

N.M.C. INVESTMENTS—Pre-tax profit for half-year to September 30, 1978, £102,068 (£79,706) after crediting profit on sales of investments £38,946 (£39,907) and dividends and interest £38,912 (£28,808), etc. Tax £34,534 (£23,859). Minorities £5,164 (£3,904). Propp Corrugated Cases had another very *satisfactory half-year. Profit,* before tax, £45,803 (£36,016) and management *are expecting* record profits for the year.

WYNDHAM ENGINEERING COMPANY—No interim (same). Turnover half-year to September 30, 1978, £88,000 (£114,000). Pre-tax profit £600 (£4,500). No tax (£800). Poor results due to continuing recession in iron and steel trades but business has now started *to increase and Board hopes* that second half will show an improvement.

EQUITY INCOME TRUST—As at November 30, 1978, net asset value of ordinary shares was 268p.

RAND LONDON CORPORATION—Special dividend of 3c. a share to obviate payment of undistributed profits tax. Dividend payable on or about March 30, 1979. This is special payment and should not be interpreted as *interim dividend.*

JOHN SWAN AND SONS—Turnover £394,100 (£338,230) for half-year to October 31, 1978. Profit £78,600 (£68,100) after all charges including tax of £85,008 (£73,700). Earnings per share 45.8p (40.6p).

THE INVESTMENT COMPANY—Total income £207,553 (£200,801) for half year to September 30, 1978. Pre-tax profit £152,388 (£152,665), tax £54,943 (£57,538), *comparisons adjusted.* In continuation of group policy, for reasons of economy, board will not declare an interim dividend. However, it is fully expected that year's results will be such that maximum dividend permitted by present legislation will be declared for current year.

AYRTON SAUNDERS AND CO.—Sales £4,361,616 (£3,829,858) for half-year to August 31, 1978. Pre-tax profit £245,565 (£257,201) including rental £675 (£615) *and* after depreciation £15,000 (£13,956), mortgage interest £1,600 (£1,686) and bank interest £5,636 (£6,700). Tax £128,000 (£138,000). Retained £105,245 (£126,491). Interim 4.0p (nil) pay December 28. In view of small number of transactions which take place in the company's 5 per cent cumulative preference shares, and 7½ per cent cumulative A shares, board is to apply for listing of these two *stocks to be cancelled.*

POLLY PECK (HOLDINGS)—Turnover for six months to September 19, 1978, £519,000 (£855,000). Group trading loss £4,000 (loss £25,000). No interim *dividend (same). Loss per share* 0.24p (loss 0.48p). Board anticipate profits for year to March 19, 1979, will be no les than those of previous years.

LAGANVALE ESTATE—Turnover for year to April 30, 1978, £380,205 *(£342,796).* Net loss £25,626 (£54,651) after interest £26,191 (£73,455), etc. Loss per share 1.31p (2.7p). Board states that further sales of properties *have taken place since the end of the year, thus reducing the amounts due to creditors and bankers.*

LONDON AND LIVERPOOL TRUST—Interim dividend 0.134p (0.132p) net. Total income £21,055 (£11,933) *for six* months to September 30, 1978. *Profit* £15,385 (£6,612) before tax £5,115 (£2,345). Strict comparison should not *be made for two half years because of* changes in investments, nor are figures necessarily a guide to full year results. *In addition company incurred* professional fees totalling £3,240 in connection with the offer made for its shares in May. These have not been included in management expenses but will be dealt with in year's *accounts.* Net asset value per ordinary share 20.38p (19.86p).

G. T. ASIA (STERLING) FUND—Net income for year to September 30 1978 was £274,510.

ALEXANDER STEPHEN AND SONS (shiprepairer and engineer)—Cost of maintaining and operating premises to the end of November has been fully *recovered in the rents charged and by the profits from marine spares business.*

If position is maintained to end of financial year, as is expected, intended to maintain dividend at 0.56p. Spares business continues successful and anticipated that turnover for the year will be £250,000.

S. CASKET (HOLDINGS)—At AGM chairman said he was confident of increased profits for first half. New *retail division in N.E. England* had proved very satisfactory and so had response to new Scottish warehouse. Last year group profit was £1.17m of which £456,000 came in first half.

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NORTH AMERICAN NEWS

Scepticism follows Kennecott statement

NEW YORK—Industry observers reacted with a mixture of surprise and scepticism today to Friday's announcement by Kennecott and Curtiss-Wright that they had called a truce to their nine month long proxy fight. And it was not immediately clear which side, if any, had won.

Surprise at the announcement was mainly due to the bitterness with which the battle had been fought, though the recent change of chairman at Kennecott obviously had something to do with it. Scepticism as to the outcome of the two-year truce centres on the uncertain prospects for resolution of the Carborundum issue.

Kennecott, it is felt, would be seriously harmed by divestiture, because it has still not got its copper operations back on a sound footing. Curtiss-Wright, on the other hand, still firmly believes the company should be sold off.

Kennecott's shares opened $1.25 down yesterday on news of the truce.

On Friday, Kennecott, which is the largest U.S. copper company with sales of more than $1.7bn a year ago, disclosed that it had agreed to a complete restructuring of its main Board in order to secure a temporary truce in its bitter feud with Curtiss-Wright.

Kennecott said that through a combination of resignations and "Board action," Kennecott and Curtiss had agreed on the election of a joint list of directors, which includes ten present Kennecott Board members, three nominees from the list proposed by Curtiss in May and four nominees "mutually agreed"—one of the latter being a Curtiss Board member. The last Board place would go to Mr. Thomas H. Barrow, elected to the Kennecott Board recently.

Curtiss holds only 9.9 per cent of the Kennecott equity but this has proved a focal point around which dissatisfied Kennecott shareholders rallied at the annual meeting in May.

The truce now reached includes an agreement by Curtiss not to increase its Kennecott holding above 21 per cent and for both parties to end litigation associated with the proxy battle.

Pitney-Bowes emerges as suitor for Dictaphone

NEW YORK—The identity of the mystery suitor for Dictaphone, the office recording equipment maker, was disclosed yesterday (Monday). It is Pitney-Bowes, another leader in the office equipment field, best known for its mail franking machines.

Dictaphone's board was considering Pitney-Bowes' approach, which it described as "an acquisition offer."

According to a company statement, Pitney is proposing a two-stage transaction. The first would be a cash tender of $28 a share for up to 2m of Dictaphones' 4.3m shares. The second would be a merger involving the exchange of each remaining Dictaphone share for one share of newly authorised Pitney-Bowes convertible cumulative preferred stock, with a liquidation preference of $28 and a $2 annual dividend. Each share would be convertible into, and vote as, one share of Pitney-Bowes common stock.

The offer is subject to approval by the boards of both companies, and Pitney-Bowes' review of Dictaphone's sales and earnings projections.

The deal puts a value on Dictaphone of about $120m, representing a premium of about 38 per cent over the $20.25 at which Dictaphone shares were suspended on rumours of a takeover last week.

If the merger goes through, it would create a major combined concern in the office equipment field, with headquarters conveniently located only a few miles apart on the New York-Connecticut border.

It was not immediately clear what anti-trust issues the merger could raise since the two companies do not produce identical products, though they are both in the same broad line of business.

Pitney-Bowes sales last year were $606m and its earnings $36.5m. Revenue in the first nine months of this year was $506.8m, and net income $29.7m. Dictaphone's revenues last year were $211.6m, and net income $5.5m. Nine-month figures this year showed revenue of $177.3m and earnings of $8.9m.

By next year, the two companies' combined sales would be in the region of $1bn, putting them well ahead of other industry leaders like Addressograph-Multigraph (sales of $666.6m last year) and Saxon ($511m).

Pitney-Bowes recently said that it expected its business systems sector to have a revenue of over $1bn by 1982.

Corco optimistic on outlook

SAN JUAN — Earnings of $20m for 1979 by Commonwealth Oil Refining Company are possible and annual earnings of $50m are a "realistic target" for subsequent years, Mr. Howard Hardesty Jnr., the chairman of the Commonwealth Reorganisation Company, said.

Commonwealth filed a voluntary petition under Chapter II of the Bankruptcy Act in San Antonio, Texas, on March 2, and has since operated its oil refinery and petrochemical complex in Puerto Rico as debtor in possession.

The Commonwealth Reorganisation Company was commissioned by CORCO, its creditors and the bankruptcy court on July 20 to decide whether the business could be economically viable.

Mr. Hardesty said the $20m earnings figure was possible if CORCO makes recommended adjustments in management operating plans and procedures, and certain other conditions are met.

These include the continuing co-operation of CORCO's creditors and the governments of Puerto Rico and the U.S.

For the first nine months of 1978, CORCO had operating income of $2.1m or 11 cents a share, which excluded an extraordinary credit of $100,000 or one cent a share. CORCO in 1977 had an operating loss of $19.5m or $1.41 a share, which did not include an extraordinary credit of $1.5m or 10 cents a share.

Recommendations by Commonwealth Reorganisation Company include a reorganisation and strengthening of management, enlarging CORCO's board and placing the maximum amount of decision-making authority in Puerto Rico.

Reuter

Abbott Laboratories sees upturn

CHICAGO — Abbott Laboratories sees this year's earnings per share climbing by 24 per cent to 25 per cent over 1977's $1.98 a share while 1978 sales should be up between 15 per cent and 16 per cent over last year's $1.24bn, according to Mr. Edward J. Ledder, chairman and chief executive.

In the fourth quarter alone Abbott's per-share earnings will probably increase by about 20 per cent to 21 per cent "with sales up about 13 per cent," he added. Although some analysts have predicted that intensified competition may make life tougher for Abbott next year Mr. Ledder expects 1979 to be consistent with our announced long-term growth objective of a compound rate of 15 per cent assuming a "reasonable" economy.

The diversified health-care products maker previously reported that nine-month net income rose by 28 per cent to $103.6m or $1.73 a share, up from $81m or $1.36. Per-share earnings in last year's period were adjusted for a two-for-one stock split paid in May 1978.

Nine-month sales were up 17 per cent to $1.05bn from $897.9m.

In 1977 net earnings were $117.8m or $1.98. Fourth-quarter net income was $36.9m or 62 cents on sales of $347m. Per-share figures for both periods also have been adjusted for the stock split.

AP-DJ

Hudson's Bay wins battle for Simpsons

By Robert Gibbens

MONTREAL — The Hudson's Bay Company appears to have won the fight for Simpsons Limited, the department store chain and its associated Simpsons-Sears store and catalogue sales-office chain. The Bay had bid nearly C$400m (U.S.$470m) for all the shares of Simpsons Limited which, in turn, owns half of the voting stock of Simpsons - Sears. Sears Roebuck of the U.S. owns the other half.

Simpsons withdrew its offer yesterday morning (Monday) to merge with Simpsons-Sears, and recommended its shareholders to accept the counterbid from the Bay.

The Bay's offer in cash and stock is worth approximately $8.30 per Simpsons share. It had required 60 per cent acceptance from Simpsons shareholders. The Bay earlier had said it would regard the indirect investment in Simpsons-Sears as "passive" or in some circumstances it might be willing to sell the Simpsons stake in Simpsons-Sears.

Last week, both the Simpsons and Simpsons-Sears merger plan, and the Bay's counterbid for Simpsons were approved in principle by the Federal Government, and the ball was thrown back into the hands of Simpsons shareholders to decide which was the more atractive offer. On a share-for-share basis, the value of each offer was not very different, except that in the case of the Bay's offer there is a cash element which was not present in the Simpsons and Simpsons-Sears merger proposal.

The combination of the two department store businesses of Simpsons and the Bay will represent annual sales of over $1.5bn, and moreover, will bring together a great deal of valuable downtown and shopping centre property interests.

The Simpsons-Sears business, consisting of over 60 smaller department stores in new shopping centres and the largest catalogue sales operation in Canada, will have volume of well over $2bn a year.

U.S. LOANS TO CHINA

Banks' position enhanced

BY JOHN EVANS

AMERICAN banks should now be well placed to increase sharply competition with their international counterparts in financing China's trade and industrial modernisation programme, following the weekend announcement of the decision to normalise diplomatic relations between China and the U.S.

Current projections by Bank of America suggest that China is likely to need $30-$35bn of foreign credits up to 1985.

The bank's Asia representative, Mr. Louis Saubolle, confirmed last week that China had been discussing the possibility of receiving direct loans from American banks, although no loans had yet been negotiated.

China has been showing an increasing willingness to turn to foreign sources of financing, although European and Japanese banks and trade financing agencies have been dominating this rapidly-developing area for business up to now.

In Hong Kong at the weekend, U.S. commercial officials described the diplomatic moves as a "very positive step" forward. Although trade with China has been expanding, the lack of full diplomaic relations "has been a handicap for U.S. traders."

It also means it should now be possible to advance on the question of the assets of each country frozen by the U.S. and China at the time of the Korean war, they added.

Up to 1985 China is expected to be in need of foreign credits to about $35bn. Following the "normalising" of diplomatic relations, American banks should now be nicely placed to step up competition in this sector of the loan market.

The frozen assets question has been a recognised barrier to trade between the two countries. In particular it has stopped China shipping its exports to the U.S. in Chinese vessels, while putting U.S. banks at a disadvantage with their European counterparts in financing Chinese trade.

In the British colony itself, President Carter's announcement was welcomed by bankers and businessmen.

The Hong Kong and Shangai Banking Corp said it is predictable that the pace of financial, commercial and cultural contacts between China and the rest of the world will increase much more rapidly than had seemed possible a few months ago.

"This should in turn be of great importance to Hong Kong which is strategically placed to act as a channel for increased contacts."

A spokesman for Jardine, Matheson Company Limited said the establishment of diplomatic relations is good news, but added that time is needed to see how it will affect Hong Kong and the region.

Hong Kong General Chamber of Commerce director, Mr. Jimmy MacGregor, said, "We shall probably benefit quite substantially in the short and medium-term, but the long term is more difficult to assess."

EUROBONDS

OPEC casts its shadow again

BY FRANCIS GHILÈS

PRICES OF dollar denominated bonds retreated by an average of one full point on the day in the wake of the decision by the Oil Producting and Exporting Countries on price rises totalling 14.5 per cent.

The larger than anticipated increase in the price of oil resulted in all the questions about the likely size of the U.S. balance of payments deficit next year and its likely effect on the performance of the dollar being rekindled. The news last week, full of gloomy forecasts about interest rates and inflation had led to a fall in prices. The OPEC decision just compounded the market's misery.

Selling orders came in yesterday but no buying ones. Trading however remained thin with dealers reluctant to open new positions ahead of Christmas. This had the effect of exaggerating price movements.

The Floating Rate Note sector was also easier, but prices were hit less hard than was the case where straight bonds were concerned.

The six-month interbank rate moved up from 11 15/16 last Friday to 12⅛ per cent today. Forecasts that it would soon rise to 12¼ per cent came from many dealers.

The Deutsche-Mark sector was unaffected by all this gloom although some bankers expressed concern that speculation against the dollar might be given a boost. Though recognising the speculative factor in the buying of foreign DM bonds they argued that, coming so soon after the Carter package, the renewed weakness of the dollar was very bad news indeed.

One area of the market where the tone was happier was the Kuwaiti Dinar sector. The KD 5m issue for the Industrial Bank of Finland was increased to KD 6m and priced half a point above par by the lead manager. Kuwait Investment Company. The bonds carry a guarantee of the Republic of Finland.

Bundesbahn plans issue

FRANKFURT—The German Federal Railways (Bundesbahn) may tap the domestic bond market with a DM 600m loan next month. No further details are currently available but terms could be set following the issuing consortium's meeting in the first-half of January, reports Reuter.

The Bundesbhan's last issue was for DM 550m in October over six year. It carried a coupon of 6 per cent and was priced at 99½.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on December 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa Akt. 9½ 86	25	94¾	95¼	−0½	−0¼	10.18
Australia 8.45 83	175	96¼	96¾	−0¼	−0¾	9.45
Australia 9¼ 93	75	98¼	99	−0½	−0¾	9.51
Beatrice Foods 7⅞ 83	100	93¾	94¾	−0¼	−1	9.43
BECA 8¾ 87	50	94¼	95¼	−0½	−0¼	9.67
BECA 9 93	25	96⅛	97¼	−0¼	−0¼	9.40
BECA 9¼ 85	25	98¾	99¼	−0½	−0⅞	9.37
BNT 9 93	75	95⅛	95⅝	−0¼	−1¼	9.59
Canada 8 83	250	94¾	95¼	−0¼	+0¼	9.44
Canada 8.75 83	250	93⅞	94¼	−0⅛	−1⅛	9.66
Canada 8¾ 98	250	95	95½	−0⅝	−1¼	9.61
Canada 9 83	400	98¼	98⅝	0	−0¾	9.57
Canada 9¼ 98	350	98¼	99	−0¼	−1¼	9.61
Canadair 8¼ 83	70	95¼	95¾	−0¼	−1⅛	9.76
Dominion Bridge Co. 9 88	25	93⅝	94¼	−0¼	−0¼	10.19
EIB 9¼ 98	125	96¼	97⅛	−0⅞	−0¼	9.67
Eksportfinans 9 86	50	96⅛	96¾	−0¼	−0⅛	9.62
Finland 8¾ 83	100	96⅞	97¼	+0¼	−0⅞	9.82
Finland 9 88	100	95¾	96	−0¼	−0¼	9.91
Hospital O/S 9 83	25	96¼	97⅛	−0¼	−0⅛	9.76
Ind. Finance 9¼ 90	25	92¼	92¾	−0¼	−1⅛	11.17
J. C. Penney 8¼ 83	100	96	96¼	−0⅝	−1¼	9.52
Mac Bloedel 9¼ 93	50	96¼	96¾	−0⅛	−1¼	9.70
NZ Dev. Fin. 8¼ 83	20	93¼	94¼	−0⅛	−0⅛	9.83
NZ Dev. Fin. 8¾ 85	20	93⅞	94¼	−0⅛	−0⅞	9.65
Nat. West. 9 86	75	97¼	97¾	−0⅞	−0⅞	9.46
Newfoundland 9¼ 90	50	97⅛	97⅝	−0⅛	−0⅛	9.58
Nord Inv. Bk. 8¾ 88	25	95⅞	96¼	−0¼	−0⅞	9.37
Norges Komm. 9¼ 98	75	97¼	97⅝	−0¼	−0⅞	9.64
Norsk Hydro 9¼ 94	50	96⅛	97¼	—	—	9.63
Norway 7¾ 83	250	93¼	93⅞	−0¼	−0¼	9.79
Norway 8¾ 83	150	97⅛	97⅝	+0¼	−0⅞	9.62
Occidental 8⅞ 85	75	92⅞	93¼	−0¼	−1	10.30
Ont. Hydro 8¾ 85	125	94	94¼	−0⅛	−1¼	9.72
Quebec Hydro 9¼ 89	50	98¼	98¾	−0⅞	−0⅞	9.68
Sweden 9¼ 98	125	97⅝	98	−0⅛	−0⅞	9.73
UK 8¼ 85	200	95⅞	96¼	−0¼	−0¼	9.56
UK 8¾ 83	150	96⅝	97⅛	0	−0¼	9.49

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 6¼ 88	150	95⅛	95⅞	+0¼	+0¼	7.13
Asian Develop. Bk. 5¼ 88	100	91¼	91¾	−0⅛	−1¼	6.75
Australia 6 88	250	101⅞	101⅞	0	+0¼	5.77
Austria 5¼ 90	150	94⅛	94⅞	+0¼	−0¼	6.41
Bankamerica 5¾ 90	150	99¼	99⅝	+0¼	+0¼	5.81
Bque. Ext. Algerie 7¾ 85	100	96¼	97¼	0	+0¼	7.85
CECA 6 88	150	97¼	97⅞	+0¼	0	6.36
Canada 4¾ 83	400	98¼	98⅞	+0¼	+0⅛	5.16
Chase Manhattan O/S 6 93	100	101¼	102⅛	0	0	5.78
Commerzbank Int. WW 3¼	100	103⅞	103⅞	+0⅛	−1	3.05
Commerzbank Int. XW 3¼	100	82¼	83¼	−0¼	+0¼	5.86
Copenhagen City 6 90	75	95⅛	95⅞	−0⅛	−0⅞	6.55
Council of Europe 6¼	100	99⅞	99⅞	+0¼	−0¼	6.17
Council of Europe 6¾	150	97⅞	98¼	−0¼	−0¼	6.53
EIB 6 90	300	96¼	96¾	−0⅞	−0⅞	6.43
Elf Aquitaine 5¾ 88	100	93⅞	94¼	−0¼	+0¼	6.12
Finland 6 83	150	98⅞	99¼	+0¼	+0⅛	6.24
Hitachi Ship. 5¾ 83	50	100¼	101	+0⅞	+0¼	5.57
IBJ 5 84	100	99⅞	99⅞	+0⅞	−0¼	5.00
Indonesia 7 84	100	97⅞	97⅞	0	−0⅛	7.54
Kobe, City of 5¾ 85	100	100⅞	100⅞	+0¼	−0⅛	5.68
Light Servicos de Elet.	150	96⅞	97¼	−0¼	−0¼	7.30
Mexico 6 85	200	97¼	97⅞	0	+0¼	6.49
Mitsubishi Petro. 5¾ 85	100	99⅞	100¼	0	−0¼	5.77
Nippon Steel 5¾ 85	100	99⅞	100¼	+0¼	+0¼	5.70
Norges Komm. 6 90	100	97¼	98	0	−0¼	6.27
Norway 4¾ 83	250	96⅝	97¼	−0⅛	−0¼	5.20
Norwegian Ind. Bk. 6 90	125	97⅞	98¼	0	−0¼	6.26
Occidental 6¾ 90	150	†97¼	98¼	—	—	7.00
OKB 6¼ 88	100	†100¼	100⅞	—	—	6.43
Petroleo Brazil 7 88	100	98⅞	99¼	0	−0¼	7.14
PK Banken 5¾ 88	100	93¼	94	0	−0⅛	6.64
Quebec, Province of 6 90	150	95⅛	96	0	−0¼	6.54
Ricoh 5¾ 83	30	100¼	100⅞	−0¼	+0¼	5.15
Spain 6 88	200	94⅞	95¼	−0¼	−0¼	6.75
Statoil 6 88	150	98¼	98⅞	0	−0¼	6.19
UDS Group 5¾ 83	65	97¼	98	0	0	6.31
Venezuela 6¼ 90	150	94⅛	94⅞	−0¼	−0¼	7.18
World Bank 6¼ 88	400	97¼	98¼	0	0	6.53

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Acesa 5¼ 88	40	103⅞	104¼	−0¼	+0⅛	4.72
American Exp. Int. 3¾ 93	40	99¼	100	+0¼	+0¼	3.52
Arlberg Tunnel 4 93	40	99⅞	100¼	+0¼	+1¼	4.01
Austria 3½ 93	100	95⅞	96¼	+0⅞	+0¼	3.86
Brazil 4½	100	97	97¼	0	+0¼	4.62
Chase Manhattan 4 93	70	103	103¼	+0¼	+0¼	3.72
Bankamerica 3¾ 93	80	100¼	101¼	+0⅞	+0¼	3.64
BNDE 5 88	75	101¼	101⅞	+0⅞	+1	4.82
Denmark 4¾ 90	100	104¼	104¾	+0⅞	+0¼	4.01
Denmark-Mortgage Bk.	80	102¼	103	+0⅞	+0¼	4.19
EIB 4¾ 93	100	101⅞	102⅛	+0⅛	+1	4.11
Euratom 4¼ 93	80	100¼	101	+0⅞	+1¼	4.18
F. L. Smidth 4¾ 88	25	101¼	102¼	+0¼	+0¼	4.32
Finland 4¾ 88	80	103	103¼	+0⅛	+0⅞	4.22
First Chicago 3½ 93	70	99⅞	100¼	−1¼	−1¼	3.49
GZB 4¾ 93	100	102¼	102⅞	+0¼	+0⅞	4.27
Hild-Liechtenstein 4¼	25	103⅞	104¼	+0⅛	+0⅛	3.88
ICI Fin. NV 4¼ 82	100	103⅞	104¼	+0⅞	−0¼	3.00
Malaysia 4¾ 90	80	99¼	99⅞	+0¼	+0⅞	4.79
Manitoba 4 93	100	101⅞	101⅞	+0¼	+0¼	3.85
Newag 4 93	70	100	100¼	+0⅞	+1¼	3.98
Norges Komm. 4¼ 89	100	102¼	102¼	+0⅞	+0⅞	3.99
OKB 4 93	80	100	100¼	0	+0¼	3.99
Oy Nokia 5 90	20	102¼	103	+1¼	+1	4.68
Safe 4¾ 93	30	101⅞	102¼	+0⅞	+0⅞	4.05
Sandvik 4 90	85	102	102¼	+0¼	0	3.76
Seas 4¾ 88	25	103¼	103⅞	+0¼	+0⅛	4.04
Voest-Alpine 4¾ 93	100	102	102¼	+0⅛	+0⅞	4.30
Voralberg Kraft 4 93	30	101¼	102	+0¼	+1¼	3.84
Vienna 4 93	100	101	101¼	+0¼	+0⅞	3.90
World Bank 4¼ 93	250	101⅞	102¼	+0⅞	+0¼	4.07

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 5¾ 88	15	96¼	97	−0¼	0	6.22
BFCE 6.4 90	30	95	96	0	+0¼	7.10
Eurofima 6.2 90	10	96⅞	97¼	0	−0¼	6.82
Norway 5.7 83	25	100⅞	101⅞	+0¼	+0¼	5.44
SNCF 6.6 90	20	96⅞	97⅞	−0¼	0	7.09
Sweden 6.3 90	40	95¼	95⅞	0	0	6.99

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11¼ A$	12	95	96¼	+0¼	+0⅞	12.74
Auto Cote Basq. 7 93 EUA	16	96	96¼	+0¼	−0¼	7.42
Copenhagen 7 93 EUA	30	95	95¼	−1¼	−1¼	7.55
Finland Ind. Bk. 7 93 EUA	15	95¼	96⅛	0	−0¼	7.44
Komm. Inst. 7¼ 93 EUA	15	98⅞	99¼	+0¼	0	7.64
Panama 8¼ 93 EUA	20	97¼	97¾	+1¼	+1	8.55
SDR France 7 93 EUA	22	97	97¼	−0¼	−0⅞	7.29
Algemene Bk. 6¼ 83 Fl	75	†91	91¼	+0¼	−0¼	8.67
Brazil 7¾ 83 Fl	75	†94	94⅞	+0¼	+0¼	9.04
CFE Mexico 7¾ 83 Fl	75	†96¼	97¼	−0¼	−0¼	8.51
EIB 7¾ 85 Fl	75	†93	93⅞	0	−0¼	8.57
Neder. Middenb. 6¾ 83 Fl	75	†92¼	93¼	−0⅞	−0⅞	8.47
New Zealand 6¾ 84 Fl	75	†91¼	92¼	+0¼	−0¼	8.64
Norway 6¾ 83 Fl	100	†92	92⅞	−0¼	0	8.69
OKB 6¼ 85 Fl	75	†89⅞	90⅛	0	−0⅞	8.55
Elf Aquitaine 9¾ 88 FFr	150	98¼	98⅞	—	—	10.01
EIB 9¾ 88 FFr	200	98¼	98⅞	0	0	9.98
Unilever 10 85 FFr	100	100¼	100⅞	−0¼	+0¼	9.92
BAT 8 89 LuxFr	250	95¼	96¼	−0⅞	−0¼	8.66
Bayer Lux. 8 88 LuxFr	250	95⅞	96¼	−0⅞	0	8.77
EIB 7¾ 88 LuxFr	250	95⅞	96¼	+0¼	+0⅞	8.36
Finland I. Fd. 8 88 LuxFr	250	95⅞	96¼	−0¼	−0¼	8.64
Norway 7¾ 83 LuxFr	250	97¼	98	+0¼	+0⅛	8.37
Renault 7¾ 88 LuxFr	500	97⅞	98¼	+0⅞	+0¼	8.07
Solvay Fin. 8 85 LuxFr	500	100¼	100⅞	−0¼	+0¼	7.98
Swedish I. Bk. 8 88 LuxFr	500	100	100¼	+0⅞	+0⅞	7.95
Gestetner Hld. BV 11 88 £	10	88¼	89¼	+0⅞	+1¼	13.09
Whitbread 10½ 90 £	15	85¼	86	+0¼	−0¼	12.97

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
American Express 82	0¼	98⅞	99⅞	20/4	10⅞	10.72
Arab Intl. Bank M6.5 83	0⅞	95¼	96¼	31/1	9⅞	9.77
Banco El Salvador M8 83	1¼	96⅞	97¼	12/4	11.31	11.66
Banco Nac. Argent M8 83	0¼	96¼	97¼	21/1	9¼	9.66
Bank Handlowy M8 88	1¼	97¼	97⅞	25/11	12.94	13.29
Bank of Tokyo M5¼ 93	0¼	96¼	97¼	18/4	10¼	10.84
Banque Worms M5¼ 85	0¼	98⅞	98⅞	15/12	9	9.13
Bq. Ext. d'Alg. M8.375 84	0¼	96⅞	97¼	9/2	9⅞	9.94
Bque. Ext. d'Alg. M7.5 85	0⅞	95¼	96¼	2/5	12¼	13.28
Bque. Indo et Suez M5¼	0¼	97⅞	98¼	25/1	9⅝	9.57
Bq. Int. Afr. Occ. M8.5 83	0¼	96⅞	97⅞	12/1	9⅞	9.45
CCCE M5.25 98	0¼	96⅞	97¼	3/2	9.19	9.48
CCF M5¼ 85	0¼	99¼	99⅞	3/5	12¼	12.31
Chase Man. O/S M5¼ 93	0¼	97¼	97⅞	27/1	9.31	9.55
Credit National M5¼ 88	0¼	97¼	98	11/1	9.19	9.40
Gotabanken M8 88	0¼	97¼	98¼	15/5	12.31	12.58
Ind. Bank Japan M5¼ 85	0¼	98⅞	99¼	1/6	12.35	12.47
Ishikawajima M5¼ 85	0¼	97⅞	98¼	27/4	11¼	11.49
Ljubljanska M7.75 85	1	95¼	96¼	19/1	10¼	10.69
LTCB Japan M5¼ 85	0¼	98¼	98⅞	9/5	12.06	12.26
Midland Intl. M5¼ 93	0¼	97¼	98	20/1	9.44	9.46
Nat. West. M5¼ 90	0¼	97⅞	98¼	21/12	9.31	9.50
OKB M5¼ 88	0¼	99¼	100	18/4	10.56	10.59
Offshore Mining 89	0¼	98	98¼	19/1	9.44	9.61
Privredna Banka M8 86	0⅞	95⅞	96⅛	22/12	—	—
Standard Chart. M5.5 90	0¼	96⅞	97¼	10/2	8.94	9.21
Sundsvallsbanken M6 85	0¼	96⅞	97¼	4/4	10.06	10.39
Utd. Overseas Bk. M6 85	0¼	98¼	99	4/5	12.31	12.47

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5¾ 93	9/78	628	101¼	102⅞	−0¼	10.61
Baker Int. Fin. 5¾ 93	1/79	34	†101¼	103¼	−1¼	13.33
Boots 6¼ 93	2/79	2.16	91⅞	92⅞	−0⅞	−2.36
Coca-Cola Bottling 5¾	4/79	9	88⅞	90¼	−1¼	23.58
Ito-Yokado 5¾ 93	6/78	1473	130¼	131¼	−0¼	−1.68
Novo Industri 7 89	4/79	259	90	92	−0⅞	3.97
Texas Int. Air. 7¾ 93	4/79	14.5	*91⅞	93¼	+0⅞	15.38
Thorn Int. Fin. 7 88	11/78	3.67	100⅞	101⅞	−0⅞	−1.73
Tyco Int. Fin. 8¼ 88	9/78	21	98⅞	100¼	−2	12.19
Tyco Int. Fin. 5 84	5/78	61.5	†75	76	+1¼	149.38
Asahi Optical 3¼ DM	11/78	588	91⅞	92¼	−2	−1.33
Casio Comp. 3¼ 85 DM	11/78	881	102	102¼	−1¼	2.60
Izumiya 3¾ 86 DM	10/78	989	97¼	97⅞	−1¼	3.85
Jusco 3¼ 86 DM	1/79	1270	94¼	95¼	−0⅞	18.34
Konishiroku 3¼ 85 DM	1/79	612	94⅞	95¼	−0⅞	4.28
Marudai Food 3¼ DM	2/79	1033	99¼	99⅞	−0⅞	11.60
Murata Man. 3¼ 86 DM	11/78	854	94¼	94⅞	−0⅞	−1.18
Nippon Air. 3.5 88 DM	12/78	508	90⅞	91⅞	−0⅞	2.76
Nippon Shinpan 3¾ DM	8/78	738	113¼	114	−1¼	0.55
Nippon Yusen 3¼ 85 DM	1/79	251	95¼	96	−0⅞	−0.99
Nissan Diesel 3¾ 86 DM	2/79	477	94⅞	94⅞	−1¼	9.28
Olympus Optical 3¼ 85 DM	2/79	783	98¼	99¼	−0⅞	−1.57
Ricoh 3¼ 86 DM	10/78	617	102¼	102⅞	−0⅞	9.36
Sankyo Electric 3¾ DM	8/78	869	111	111¼	−2	7.88
Sanyo Electric 3¼ DM	11/78	295	98¼	98¾	−0⅞	6.80
Seiyu Stores 3¼ 86 DM	9/78	1275	112¼	113	−1¼	−3.06
Sharp Corp. 3¼ 88 DM	2/79	487	†90	94¼	—	−4.99
Stanley Electric 3¾ DM	11/78	623	94¼	94⅞	−0¼	11.25
Tokyo Electric 3¾ 87 DM	4/79	476	†95⅞	96¼	—	−0.89
Trio-Kenwood 3¼ 86 DM	11/78	711	90	98⅞	−0⅞	10.76

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Simplicity Pattern in $100m deal

NEW YORK — Simplicity Pattern has agreed to acquire the James E. Crass Group of Coca-Cola bottling companies, one of the largest such franchises, for just over $100m.

The seven privately-held Crass companies have annual sales of about $100m. Based in Richmond the bottling companies serve markets in Washington DC, Virginia, Pennsylvania, Maryland and Ohio.

Simplicity said it had sale agreements from holders of all the stock of five of the Crass companies and 90 per cent of the shares of the other two. It said the transaction would not involve issuing any new equity securities.

Mr. Peyton M. Pollard, chief operating officer of the Crass group, will continue to run the bottling companies and will be a member of Simplicity's board.

AP-DJ

McDonnell Douglas

The Securities and Exchange Commission said McDonnell Douglas Corporation consented to a permanent injunction involving alleged payoffs of about $15m to more than a dozen foreign countries, Reuter reports from Washington. The funds were allegedly expended since 1969, according to the SEC, and involved payments to Germany, the Philippines, Korea, Kenya, Uganda, Tanzania, Austria, Italy, Mexico, Zaire, Venezuela, Holland, Pakistan, Japan, Argentina, Iran and Kuwait.

Tally offer extended

Mannesmann Precision Instruments, a unit of Mannesmann AG of West Gemany, has extended its tender offer for Tally corporation stock to 10 a.m. est January 12, Reuters reports from New York. As of Friday, Mannesmann said about 1.6m shares of Tally stock had been tendered under the offer for $14 cash per share. It already owns 2.3 shares of Tally stock and, together with the tendered shares, now has about 75 per cent of Tally's total outstanding shares. The tender was to expire yesterday (Monday).

Rockwell sale

Rockwell International has sold its Admiral de Mexico subsidiary to a Mexican corporation, AP-DJ reports from Pittsburg. The Mexico unit manufactures colour and black-and-white TVs and stereo systems for distribution in Mexico. As previously reported, Rockwell has disposed of its domestic Admiral TV business.

Elf fights for price flexibility

BY TERRY DODSWORTH

PARIS — The stresses arising in French industry, both public and private, by the gradual relaxation of state controls, have resulted in an open war of words between the Ministry for Industry and the state-owned Elf Aquitane Group, France's second largest oil company.

The argument here comes down to the question of how much freedom industry has, especially for a company in which the Government has a 70 per cent stake. Elf has been arguing that it should be able to act with the same commercial freedoms enjoyed by its international competitors, implying more flexibility over pricing and diversification, than it has at present. But the Government has come back with a stiff warning that it must stick to its principal purpose of "providing France with oil."

This is the latest exchange in a struggle which has been going on about the future of Elf, for much of last year. In the spring M. Albin Chalandon, the company's chairman, asked for more state assistance to protect its troubled refining sector, and suggested a new equity injection. Neither was forthcoming, and the company was, in effect, told to sort out its own problems.

The point made by M. Andre Girand, Minister for Industry, was that, in its entirety, Elf Aquitaine was exceptionally profitable," with the best cash flow in France." Last year, it made a net profit of FFr 1.7bn ($380m) on a turnover of FFr 38bn. It should, therefore, sort out its refining problems within the context of its whole operations.

Elf has no wstarted on this restructuring programmme, with a plan to rationalise its refinery activities. Costing between FFr 150m-FFr 200m, it is being financed by the group itself and will lead to three main measures in its Elf-France division. These would entail:

- The closure of a refinery in 1980, either at Gargenville or Valenciennes.
- A furtherf FFr 50m investment in its Ambes complex to maintain it at present levels of output.
- The construction of a new plant at Donges.

These plans entail a move away from heavy fuel refining towards the so-called "white products" (gas and motor fuels) in which Elf sees more prospects. Accompanied by a number of management changes which create a new top-tier directorate with overall planning responsibility, they seem to have met the approval of the Government.

M. Giraud, however, has balked at a statement put out by Elf, to the effect that it now sees the State as simply another shareholder. In M. Giraud's view, despite liberalisation policies, the State continues to have a special role to play in the oil industry. The supply of oil remains strategically important and a public company must remain responsible to the Government.

SAS final shows big upsurge

BY OUR NORDIC CORRESPONDENT

STOCKHOLM — Scandinavian Airlines System (SAS) reports a 38 per cent rise in pre-tax earnings to SKr 126.7m ($29m) for year ending September 30. The Board also forecasts a further improvement during the current year but warns—as it did last year—that SAS's earnings level must be raised even higher, if the company is to be able to meet its future capital needs.

The preliminary figures for last year show a group operating revenue of SKr 7.05bn ($1.6bn), which is SKr 1.4bn ahead of the previous year. Traffic revenue was SKr 4.64bn compared with SK 3.74bn. Group operating expenses rose by SKr 1.26bn to SKr 6.44bn.

Depreciation charged is SKr 347m, only SKr 22m up, and the SKr 126.7m pre-tax profit breaks down into SKr 100m from "current activities" and the rest from sales of equipment. Last year sales of aircraft and other assets accounted for a larger part of the group profit, SKr 34.9m out of SKr 90.8m.

The airline itself, shorn of SAS's other business operations such as hotels and catering services, made a pre-tax profit of SKr 94.1m, which is SKr 16m ahead of the previous year's figure. SAS had a 12 per cent increase in traffic in 1977-78 and its load factor rose from 54.3 to 55.7 per cent.

Billerud changes director

By William Dullforce

STOCKHOLM — Billerud Uddeholm, the pulp, paper and board group which is in trouble after trying to merge the Billerud Company with Uddeholm's forest industry operations, has changed its managing director. The board announced that Mr. Gunnar Hindemark, aged 56, had been replaced by his deputy, Mr. Tryggve Bergek, 64, from December 15.

The chairman, Mr. Lars-Erik Thunholm, said that the differences of opinion which has arisen during the merger operation had become so large that a change of leadership was necessary. The differences concerned the safety margin with which the group should operate and the possibilities of continuing operations which were not currently in profit, Mr. Thunholm said.

Billerud Uddeholm has been losing SKr 4m ($900,000) a week and has predicted a pre-tax loss of SKr 200m for 1978. Mr. Hindemark is understood to have advocated a retrenchment policy, which would have entailed the dismissal of some 2,000 workers.

Sony 26% profits decline sharper than expected

BY RICHARD C. HANSON

TOKYO — Sony Corporation consolidated net profit for the fourth quarter of the fiscal year ended October 31 fell sharply, after an exceptional advance in the previous quarter caused by accounting factors involving the yen's appreciation. Net income for the entire year was down 26 per cent, more than earlier expected, to Y25.651bn ($131.154m) from Y34.642bn in the previous year.

As in previous terms, the fourth-quarter results were hurt by the yen's rise. Net income dropped 36.8 per cent from a year ago to Y3.865bn ($20m). It was about one-third of the Y9.604bn net recorded in the third quarter, and the lowest quarterly net of the year.

Sales in the fourth quarter expanded by 5 per cent to Y144.239bn ($739.7m) from Y137.341bn a year ago, and for the year were up 5.7 per cent to Y534.917bn ($2.7bn)—a new record total.

The company said that it felt its sales gains, particularly in home video tape recorder-related products, were quite favourable. Overseas sales were up only 3 per cent, but domestic sales gained 10 per cent. VTR sales rose 25 per cent to 16.8 per cent of the total, while production during the year rose 60 per cent to 400,000 units.

Another 50 per cent rise is expected this year. National colour television sales were off about 10 per cent, but Sony managed a 0.8 per cent gain.

The fourth quarter results were down sharply from last year partly because of an absence of foreign exchange translation gains to offset a high tax rate of 77 per cent (the highest quarterly rate in ten years). Pre-tax profit showed an 11.2 per cent rise to Y11.545bn in the third quarter. The positive effect of the Yen's revaluation on earnings of overseas subsidiaries had produced a 22.8 per cent net gain.

The cost of sales for Sony during the year continued to rise as the gap between historical exchange rates used for cost and current rates for sales widened. Cost of sales rose to 69.5 per cent from 63.7 per cent during the previous year. Sales were calculated at Y219 average, while costs were set at Y238.

For the present year, Sony expects a 10 per cent increase in consolidated sales. This is figured on the cost basis of Y195 per dollar for the first half and Y180 for the second half. It is possible that Sony could benefit if the dollar were to recover strongly, but most foreign exchange analysts foresee some continued upward movement in the yen.

The company spent about Y37bn on capital projects mostly overseas and expanded its colour television and tape facilities in the U.S. It expects to spend another Y30bn this year, but the emphasis will be on domestic improvements in tape and TV manufacturing facilities.

Per share net income fell in the year to Y119 from Y161.

Olympic share deals

BY JAMES FORTH

SYDNEY — The Melbourne Businessman, Mr. Bernard Hendel has emerged as the largest shareholder of tyre and cable group, Olympic Consolidated Industries after the most extensive sharemarket buying operation undertaken in Australia. Olympic has about 50m ordinary shares, and Mr. Hendel began buying on the market several months ago.

Over the past two weeks the buying has escalated sharply with a number of large institutional investors quitting their holdings.

Mr. Hendel now holds close to 25 per cent of the capital and there is no indication that he has finished buying. The operation to date would have cost about A$7m (U.S.$8m). The Olympic board, which has been keeping an eye on the buying, invited Mr. Hendel last week to join the board.

The step-up in the pace of buying coincides with the release of draft company legislation which would make such creeping takeovers more difficult.

Mr. Hendel carried out a similar operation with textile group Bradmill Industries. He began buying Bradmill shares late in 1977. This became complicated by a battle with the interests of another Melbourne businessman, Mr. Abe Goldberg, but Mr. Hendel early this year gained control of Bradmill. Soon after however, he sold 40 per cent of Bradmill to Tootal of the UK. At the time Tootal received government approval to increase its equity in Bradmill to 49.9 per cent.

Ironically, Mr. Hendel has sold a further 4.17m Bradmill shares to Tootal, lifting its stake to 49.9 per cent.

It was announced that Mr. Hendel would remain a deputy chairman and a large shareholder in Bradmill and that he would continue to take an active role in the management of the company.

At current market prices for Bradmill the sale to Tootal would realise close to A$3m, which would offset a considerable amount of the funds outlaid to date on Olympic.

Steady growth at Alia

By Rami G. Khouri

AMMAN — The State-owned Jordanian airline Alia will make a net profit of $2.2m this year, marking its sixth consecutive year in the black, Mr. Ali Ghandour, Alia's chairman and general manager, has announced here. This is a sharp increase over last year's profits of $700,000.

Gross revenues of $126m this year and operating profits of $9m were due to a load factor of 60 per cent, and total passengers carried on scheduled flights of 780,000. This represents a 30 per cent increase in Alia's growth, a rate that has been maintained over the past five years.

Interest paid on loans and losses from foreign exchange conversions account for the difference between operating profits and net profits.

Mr. Ghandour also announced that Alia will lease two Boeing 707 jets to expand its operations early next year, and will buy three new Boeing 727 jets to be delivered one every year starting in 1980.

He also said a decision would be made in June about which wide-bodied jet will be chosen to replace Alia's fne 707s. Four models are under consideration, he said, the DC-10-30, the Lockheed Tristar 500, the Boeing 767 and the Airbus B4 or 310.

Strong performance of the 18-month-old direct Amman-New York route has also prompted Alia to double its frequency to four times a week, with a new once-a-week service from New York onwards to Houston. The New York route, using Boeing jumbo jets, has registered a very high load factor of over 70 per cent, reaching 90 per cent in the high season, Mr. Ghandour revealed.

Alia's continued strong financial performance will also prompt it to open new routes to Manila and Seoul next year, and increase the frequencies of most of its European and Gulf routes. It also plans to be the first Arab Airline to fly to South America in the second half of next year with two routes to Rio de Janeiro planned via Kano, Lagos, Dakar and Abidjan.

Surprise deficit for SA furniture manufacturers

BY JIM JONES

JOHANNESBURG — Increasing uncertainty over the near-term future of South Africa's recession hit building industry has been underlined by the surprise announcement of a R700,000 loss by major kitchen equipment manufacturer, Steelbrite, in the four months to October 31.

In its financial year to June 30, 1978, Steelbrite reported a total operating loss of R747,000 ($858,000). For the current year, management saw little prospect of improvement in trading conditions.

Because of intense competition, underutilised capacity at the company's factories and increasingly uncertain prospects for the residential building sector, an expected loss of R2m is being budgeted for in the current year to June 30, 1979.

In view of the drastic action to return Steelbrite to profitability, part of its assets are to be realised and the scale of its operations reduced further. It is unlikely that the company can obtain adequate funds to see out the recession from usual commercial bank sources, and the onus of ensuring continuing operations appears to have fallen n the 63.7 per cent controlling company, Johannesburg Consolidated (JCI).

Steelbrite, last traded at 47 cents, has been suspended from the Johannesburg Stock Exchange since November 17 while management discussed proposals for returning the company to profitability.

Now JCI has decided that this can be best achieved by making Steelbrite a wholly-owned subsidiary and is offering to buy out the 36.3 per cent minorities at 65 cents. Substantial write-offs will be needed of Steelbrite's assets, which will be reflected in JCI's accounts this year. But there seems to be no alternative exeept putting the company into liquidation.

Singapore ends deposit margins

BY H. F. LEE

SINGAPORE — The Stock Exchange of Singapore has abolished the mandatory 20 per cent deposit margin which member broking firms must impose on clients trading on a settlement or forward basis, and also reduced the brokerage rate on such contracts.

The exchange also said that its computerised central clearing house would start its trial run on January 2.

The margin ruling was imposed by the exchange in September to cool the share market which had already reached a feverish pitch with prices at high levels.

Members of the exchange generally welcome the move then as a safety measure for themselves and investors. However, some market sources have blamed the decline in the market since then on this ruling.

The lifting of the margin requirement on settlement contracts on the Big Board" took effect from yesterday (Monday), while that on the "Ordinary Board" will come into force on January 2.

The exchange currently operates two forms of settlement contracts — settlement deals on the "Ordinary Board," where the board lot is 1,000 shares are settled at the end of every month, while those on the "Big Board," where the lot is 2,000 shares, are settled at the middle of each month.

The new brokerage rate for all settlements is 1.25 per cent, a quarter per cent less than the old rate.

There will, however, be a newly imposed registration and clearing fee of 0.1 per cent on settlement contracts.

The plan for the setting up of the clearing house system, an integral part of the exchange's plan to improve the efficiency of the Singapore market, was announced at the beginning of this year.

The exchange said that all exchange members had joined the clearing house, thus implying that the two member firms which had earlier opted to stay out of the scheme have now joined.

Malayawata boosts sales in building industry boom

BY WONG SULONG

KUALA LUMPUR — Strong demand for steel lifted pre-tax profits at Malayawata Berhad, leading Malaysian steel manufacturer, by more than 61 per cent, for the first six months ending September.

However, with the end of its pioneer status, the company must now pay income tax, and this has reduced its net profits compared with the comparable period last year.

Pre-tax profits of the company increased from 4.1m ringgits ($1.8m) to 6.7m ringgits ($3.07m), but after tax, the profit is only 2.4m ringgits compared with the tax-free 4.1m ringgits the comparable period last year.

The company said sales rose by 27 per cent to 62.4m ringgits because of strong demand created by intensive public and private construction programmes.

The same market conditions are expected to prevail until the end of the year, but the company said it is unable to take advantage of the situation because of its limited production capacity.

New U.S. branch for Leumi

By L. Daniel

TEL AVIV — Bank Leumi, Israel's oldest and largest bank, has opened its tenth branch in New York. The branches, which provide full banking services in addition to fostering investments in Israel, are operated by Leumi's American subsidiary, Bank Leumi Trust, which in size holds 105th place amongst the 15,000 banks in the U.S. Apart from its ten New York state branches, it has a branch in the Cayman Islands and representative office in Toronto. Leumi's world-wide network now comprises 33 branches and offices.

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Dollar falls in nervous trading

Saturday's OPEC decision to raise crude oil prices by 14½ per cent prompted another sharp decline in the U.S. dollar in yesterday's foreign exchange market. Although a rise was expected, the four-phase increase was considerably larger than had been hoped for, and the U.S. currency came under heavy pressure from the opening of trading. In terms of the D-mark, it fell to DM 1.8540 at one point before closing at DM 1.8585,

compared with Friday's level of DM 1.8930. The Swiss Franc performed in a similar fashion and touched SwFr 1.6525 during the day before closing at SwFr 1.6565 against the previous close of SwFr 1.6857½.

Central bank support throughout the day prevented the dollar from slipping further, although at noon in New York, Morgan Guaranty's calculation of its trade weighted average depreciation showed a weakening to 9.4 per cent from 8.7 per cent. The French franc was also very strong, and finished at FFr 4.2650 against FFr 4.3450, while the Japanese yen improved to Y193.05 from Y195.75.

Sterling opened at $2.0030 and dipped to $2.0010 during the morning before recovering to $2.0075 around lunchtime. Renewed weakness of the dollar pushed the pound further up in afternoon trading, and it reached a high of $2.0090-2.0100 before closing at $2.0050-2.0060, a rise of 2.55c from Friday's close. On Bank of England figures, its trade weighted index rose to 63.4 from 63.2, having stood at 63.5 at noon and 63.5 in early dealings. Against the D-mark, the pound eased to DM 3.73 against DM 3.75, while the Swiss franc was also firmer at SwFr 3.3250 from SwFr 3.3450.

FRANKFURT—The dollar's fixing level of DM 1.8570 yesterday was sharply down from Friday's level of DM 1.8850. The Bundesbank intervened at the fixing by buying about $48m, its largest support since last February. The OPEC decision to raise oil prices was the main cause of the dollar's decline.

PARIS—In very active trading the dollar lost ground after the latest oil price increase announced over the weekend. Towards the close of trading, the U.S. unit was quoted at FFr 4.2582½ compared with FFr 4.2882½ at the start of the day and Friday's level of FFr 4.3450.

AMSTERDAM—The dollar was fixed at Fl 2.0050 at yesterday's fixing, compared with Fl 2.0540 on Friday.

ZURICH — After opening lower on the OPEC decision, the dollar showed little movement during the morning. Central bank intervention had helped steady the U.S. unit, although the mood of the market has deteriorated somewhat with regard to the dollar. The latter was quoted at SwFr 1.6615, compared with SwFr 1.6610 soon after the start of trading.

TOKYO—As in other financial centres, the main feature of yesterday's market was the effect on the dollar of price increases announced by OPEC over the weekend. The U.S. currency finished at Y193.325 compared with Friday's close of Y195.75. After opening at Y195.30, it fell to Y193.45 before recovering slightly around noon. During the afternoon, the dollar's continued decline was arrested slightly when the Bank of Japan bought an estimated $400m. Trading in the spot market accounted for $765m, with forward trading at $169m and swap dealings totalling $747m.

THE POUND SPOT / FORWARD AGAINST £

Dec. 18	Bank rate %	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	9½	2.0010-2.0100	2.0050-2.0060	0.32-0.22c pm	2.21	0.87-0.77c pm	1.64
Canadian $	10¾	2.3690-2.3806	2.3735-2.3745	0.60-0.50c pm	2.78	1.50-1.40c pm	2.44
Guilder	6½	4.02-4.07	4.02¾-4.03¾	1¼-¼c pm	2.23	4-3c pm	3.47
Belgian F	6	58.75-59.40	58.80-58.90	20-10c pm	3.06	65-55c pm	4.08
Danish K	8	10.39-10.45	10.39½-10.40½	¼-2¼ ore dis	-1.44	2½-4½ ore dis	-1.44
D-Mark	3	3.72-3.80	3.72¾-3.75¾	3¼-2¼ pf pm	9.25	9¼-8¼ pf pm	9.38
Port. Esc.	16	92.40-93.20	92.60-92.90	60-105c dis	-10.68	150-620c dis	-10.14
Span. Pes.	8	141.50-141.86	141.65-141.85	45-115c dis	-6.82	250-330c dis	-7.97
Lira	10½	1,672-1,679	1,672-1,675	2-4 lire dis	-2.15	7-10 lire dis	-2.03
Nrwgn. K.	7	10.09-10.15	10.09½-10.10½	3-1 ore pm	2.38	6-4 ore pm	1.98
French Fr.	9½	8.53½-8.60½	8.54-8.55	3¼-2¼c pm	3.86	9½-8½c pm	4.33
Swedish Kr.	6½	8.71-8.77	8.71½-8.72½	3-1 ore pm	2.75	9-7 ore pm	3.67
Yen	3½	384-392	386½-388½	4.50-4.00y pm	12.90	10.85-10.45y pm	11.10
Austria Sch.	4½	27.25-27.50	27.25-27.30	15-5 gro pm	4.41	45-35 gro pm	5.57
Swiss Fr.	1	3.31½-3.34½	3.32-3.33	4-3c pm	12.63	11-10c pm	12.63

Belgian rate is for convertible francs. Financial franc 60.00-60.10.

Six-month forward dollar 1.55-1.45c pm. 12-month 3.40-3.30c pm.

THE DOLLAR SPOT AND FORWARD

Dec. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canada†	84.35-84.56	84.35-84.38	0.05-0.08c pm	0.84	0.10-0.13c pm	0.54
Nethlnd.	2.0070-2.0238	2.0070-2.0090	0.27-0.15c pm	1.24	1.01-0.93c pm	1.94
Belgium	29.35-29.58	29.35-29.37	5-3½c pm	1.40	19-17c pm	2.33
Denmrk.	5.1800-5.2025	5.1850-5.1900	0.90-1.40ore dis	-2.41	3.85-4.35ore dis	-3.15
W. Ger.	1.8565-1.8695	1.8575-1.8585	1.25-1.20pf pm	7.33	3.62-3.57pf pm	7.78
Portugal	46.15-46.40	46.15-46.30	9-15c dis	-3.24	90-160c dis	-10.80
Spain	70.60-70.82	70.60-70.65	30-50c dis	-6.16	155-175c dis	-9.32
Italy	834.10-838.0	834.10-834.60	2.25-2.75c dis	-3.58	7.00-8.00c dis	-3.70
Norway	5.0350-5.0560	5.0350-5.0370	0.50c pm-par	0.54	0.60-0.10c pm	0.20
France	4.2560-4.2920	4.2575-4.2625	1.00-0.60c pm	2.54	2.90-2.40c pm	2.84
Sweden	4.3440-4.3700	4.3465-4.3475	0.90-0.70ore pm	1.75	2.50-2.30ore pm	2.06
Japan	192.75-193.60	193.00-193.15	1.85-1.75y pm	10.29	4.58-4.43y pm	9.20
Austria	13.60-13.69	13.61-13.62	5.50-4.50gro pm	3.98	10-13gro pm	0.54
Switz.	1.6548-1.6633	1.6560-1.6570	1.67-1.62c pm	10.53	4.73-4.68c pm	11.27

† U.S. cents per Canadian $.

CURRENCY RATES

December 15	Special Drawing Rights	European Unit of Account
Sterling	0.645335	0.669847
U.S. dollar	1.28939	1.33678
Canadian dollar	1.51342	1.56877
Austrian schilling	17.7622	18.3998
Belgian franc	38.4245	39.8155
Danish krone	6.75224	7.00864
Deutsche Mark	2.42634	2.51520
Guilder	2.62992	2.72568
French franc	5.57810	5.78584
Lira	1083.85	1124.80
Yen	250.188	260.079
Norwegian krone	6.54863	6.78730
Peseta	91.2764	94.5062
Swedish krona	5.64972	5.85305
Swiss franc	2.15874	2.23569

CURRENCY MOVEMENTS

December 18	Bank of England Index	Morgan Guaranty changes %
Sterling	6.342	-40.6
U.S. dollar	83.37	-9.4
Canadian dollar	79.07	-18.2
Austrian schilling	146.21	+19.4
Belgian franc	114.71	+14.7
Danish krone	117.52	+6.5
Deutsche Mark	149.53	+41.5
Swiss franc	196.82	+84.0
Guilder	124.50	+20.6
French franc	99.48	-5.8
Lira	54.39	-49.0
Yen	149.61	+47.7

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Dec. 18	£	$		£ Note Rates
Argentina Peso	1,968-1,972	981.30-983.30	Austria	27-28
Australia Dollar	1.7465-1.7515	0.8708-0.8733	Belgium	59¾-61¼
Finland Markka	7.9625-7.9750	3.9880-3.9900	Denmark	10.40-10.50
Brazil Cruzeiro	40.50-41.50	20.20-20.70	France	8.55-8.65
Greek Drachma	72.018-73.772	35.90-36.80	Germany	3.70-3.80
Hong Kong Dollar	9.6000-9.6200	4.7830-4.7860	Italy	1630-1700
Iran Rial	148.50-152.50	73½-75½	Japan	385-395
Kuwait Dinar (KD)	0.541-0.561	0.27255-0.27265	Netherlands	4.00-4.10
Luxembourg Franc	58.80-59.90	29.33-29.37	Norway	10.05-10.20
Malaysia Dollar	4.3500-4.3650	2.1750-2.1770	Portugal	88-98
New Zealand Dollar	1.8865-1.8935	0.9407-0.9440	Spain	143-147
Saudi Arabia Riyal	6.65-6.75	3.3375-3.3400	Switzerland	3.30-3.40
Singapore Dollar	4.3190-4.3340	2.1620-2.1630	United States	2.0025-2.0125
South African Rand	1.7306-1.7566	0.8630-0.8760	Yugoslavia	41-45

Rate given for Argentina is free rate.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on December 18, 1978. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the UK and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territories; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (exC) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Place	Local Unit	Value of £ Sterling
Afghanistan	Afghani	73.00
Albania	Lek	10.2730
Algeria	Dinar	7.8769
Andorra	French Franc	8.545
	Spanish Peseta	141.60
Angola	Kwanza	n.a.
Antigua (S)	E. Caribbean $	5.4120
Argentina	Ar. Peso Free Rate	1.970
Australia (S)	Australian $	1.7490
Austria	Schilling	27.275
Azores	Portug. Escudo	92.70
Bahamas (S)	Ba. Dollar	2.0055
Bangladesh (S)	Taka	30.38(sg)
Bahrain (S)	Dinar	0.770
Balearic Isles	Spa. Peseta	141.60
Barbados (S)	Barbados $††	4.011
Belgium	B. Franc	(cn) 56.85 (fn) 60.05
Belize	B $	4.011
Benin	C.F.A. Franc	427¼
Bermuda (S)	Bda $	2.0055
Bhutan	Indian Rupee	16.08(sg)
Bolivia	Bolivian Peso	40.11
Botswana (S)	Pula	1.6609
Brazil	Cruzeiro ‡‡	41.00
Br Virgin Is (S)	U.S. $	2.0055
Brunei (S)	Brunei $	4.5285
Bulgaria	Lev	1.6875
Burma	Kyat	13.4912
Burundi	Burundi Franc	175.675
Camero'n Rp	C.F.A. Franc	427¼
Canada	Canadian $	2.3740
Canary Isles	Spanish Peseta	141.60
Cape Verde I.	Cape V. Escudo	73.622
Cayman Is (S)	Cay. Is. $	1.6712
Cent. Af. Rp.	C.F.A. Franc	427¼
Chad	C.F.A. Franc	427¼
Chile	C. Peso	(Bk) 67.71
China	Renminbi Yuan	3.1927
Colombia	C. Peso	(F) 80.20
Comoro Is.	C.F.A. Franc	427¼
Congo (B'ille)	C.F.A. Franc	427¼
Costa Rica	Colon	17.247
Cuba	Cuban Peso	1.4651
Cyprus (S)	Cyprus £	0.7140
Czechoslovak	Koruna	(com) 10.60 (nc) 21.20 (T) 18.55
Denmark	Danish Kroner	10.40
Djibouti	Fr.	525.0
Dominica (S)	E. Caribbean $	5.4120
Domin. Rep.	Dominican Peso	2.0055
Ecuador	Sucre	(O) 49.94 (F) 53.91
Egypt	Egyptian £	(O) 0.7600 (T) 1.3600
Ethiopia	Ethiopian Birr	(P) 4.1561
Eq'l Guinea	Peseta	141.60
Falkland Is. (S)	Falkland Is £	1.0
Faro Is	Danish Krone	10.40
Fiji Is.	Fiji $	1.6668
Finland	Markka	7.979
France	French Franc	8.545
Fr. C'ty in Af*	C.F.A. Franc	427¼
Fr. Guiana	Local Franc	8.545
Fr. Pac. Is.	C.F.P. Franc	155.36
Gabon	C.F.A. Franc	427¼
Gambia (S)	Dalasi	4.0885
Germany (East)	Ostmark	3.75
Germany (West)	Deutsche Mark	3.75
Ghana (S)	Cedi	5.45(sg)
Gibraltar (K)	Gibraltar £	1.00
Gilbert Is	Aust. Dollar	1.7490
Greece	Drachma	72.8925
Greenland	Danish Kroner	10.40
Grenada (S)	E. Caribbean $	5.4120
Guadaloupe	Local Franc	8.545
Guam	U S $	2.0055
Guatemala	Quetzal	2.0055
Guinea Rep.	Sily	39.171
Guinea Bissau		69.128
Guyana (S)	Guyanese $	5.114
Haiti	Gourde	10.027
Honduras Rep	Lempira	4.0369
HongKong (S)	H.K. $	9.61
Hungary	Forint	(com) 72.66 (T)(nc) 38.55
Iceland (S)	I Krona	637.5
India (S)	Ind. Rupee	16.08(sg)
Indonesia	Rupiah	1,256
Iran	Rial	159.5
Iraq	Iraq Dinar	5939
Irish Rep (k)	Irish £	1.00
Israel	Israel £	66.125
Italy	Lira	1672½
Ivory Coast	C.F.A. Franc	427¼
Jamaica (S)	Jamaica Dollar	3.5892
Japan	Yen	387½
Jordan (S)	Jordan Dinar	0.589(sg)
Kampuchea	Riel	2406.6
Kenya (S)	Kenya Shilling	14.905
Korea (Nth)	Won	1.74 (t)
Korea (Sth)	Won	957.62
Kuwait (Sth)	Kuwait Dinar	0.546
Laos	Kip Pot Pol	802.2
Lebanon	Lebanese £	6.0478
Lesotho	S. African Rand	1.74351
Liberia	Liberian $	2.0055
Libya	Libyan Dinar	0.5957
Liecht'nstn	Swiss Franc	3.326
Luxembourg	Lux Franc	58.85
Macao	Pataca	10.572
Madeira	Portug'se Escudo	92.70
Malagasy Rp.	MG Franc	427¼
Malawi (S)	Kwacha	1.6275
Malaysia (S)	Ringgit	4.3675
Maldive Is (S)	Mal Rupee	7.882
Mali Rp.	Mali Franc	854.5
Malta (S)	Maltese £	0.738
Martinique	Local Franc	8.545
Mauritania	Ouguiya	87.901
Mauritius (S)	M. Rupee	12.119
Mexico	Mexican Peso	45.65
Miquelon	C.F.A. Franc	427¼
Monaco	French Franc	8.545
Mongolia	Tugrik	(O) 6.7721
Montserrat	E. Caribbean $	5.4120
Morocco	Dirham	7.66(sg)
Mozambique	Moz. Escudo	65.036
Nauru Is.	Aust. Dollar	1.7490
Nepal	Nepalese Rupee	24.065
Netherlands	Guilder	4.03
Neth. Ant'les	Antillian Guild.	3.5896
New Hebrides	Franc	168.101
	Aust. Dollar	1.7490
N. Zealand (S)	N.Z. Dollar	1.8909
Nicaragua	Cordoba	14.11
Niger Rp.	C.F.A. Franc	427¼
Nigeria (S)	Naira	1.26732(sg)
Norway	Nrwg. Krone	10.10
Oman Sultanate of (S)	Rial Omani	0.693
Pakistan	Pkst. Rupee	19.8025(sg)
Panama	Balboa	2.0055
Papua N.G. (S)	Kina	1.5860
Paraguay	Guarani	250.60
P'pl's D. Rp of Yemen (S)	S. Yemen Dinar	(A) 0.6849
Peru	Sol	(exC)(A) 366.66
Philippines	Ph. Peso	14.76
Pitcairn Is. (S)	£ Sterling	—
	New Zealand $	1.8909
Poland	Zloty	(Cm) 62.25 (T) 62.25
Portugal	Pgse. Escudo	92.70
Port Timor	Timor Escudo	92.70
Principe Isle	Pgse. Escudo	92.70
Puerto Rico	U.S. $	2.0055
Qatar (S)	Qatar Ryal	7.70
Reunion Ile de la	French Franc	8.545
Rhodesia	Rhodesian $	1.3908
Romania	Leu	(cm) 9.07 (n/c) 24.55
Rwanda	Rwanda Franc	182.79
St. Christopher (S)	E. Caribbean $	5.4120
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	5.4120
St. Pierre	C.F.A. Franc	427¼
St. Vincent (S)	E. Caribbean $	5.4120
Salvador El	Colon	5.0250
Samoa (Am)	U.S. $	2.0055
San Marino	Italian Lire	1,672½
Sao Tome	Pgse. Escudo	92.70
Saudi Arabia	Ryal	6.70
Senegal	C.F.A. Franc	427¼
Seychelles	S. Rupee	13.33
Sierra Le'ne (S)	Leone	2.0542
Singapore (S)	Singapore $	4.3285
Solomon Is. (S)	Solomon Is. $	1.7614
Somali Rep.	Som Shilling	(A) 12.62
Sth. Africa (S)	Rand	1.74351
S. W. African Territories (S)	S. A. Rand	1.74351
Spain	Peseta	141.60
Span. ports in North Africa	Peseta	141.60
Sri Lanka (S)	S. L. Rupee	31.0205(sg)
Sudan Rp.	Sudan £	(A) 0.8022
Surinam	S. Guilder	3.5898
Swaziland (S)	Lilangeni	1.74351
Sweden	S. Krona	8.7175
Switzerland	Swiss Franc	3.3250
Syria	Syria £	(A) 7.8716
Taiwan	New Taiwan	(P) 72.19
Tanzania (S)	Tan. Shilling	14.96
Thailand	Baht	39.8775(sg)
Togo Rp.	C.F.A. Franc	427¼
Tonga Is. (S)	Pa'anga	1.77614
Trinidad (S)	Trin. & Tobago	4.813
Tunisia	Tunisian Dinar	0.794(sg)
Turkey	Turkish Lira	50.10
Turks & C's	U.S. $	2.0055
Tuvalu	Australian $	1.7490
Uganda (S)	Ug. Shilling	14.64
United States	U.S. Dollar	2.0055
Uruguay	Uruguay Peso	(com) 14.05 (fin) 13.85
Utd A'b Emir.	U.A.E. Dirham	7.70
U.S.S.R.	Rouble	1.36
Upper Volta	C.F.A. Franc	427¼
Vatican	Italian Lire	1,672½
Venezuela	Bolivar	8.63
Vietnam	Dong	(O) 4.3728 (T) 3.978
Virgin Is. U.S.	U.S. Dollar	2.0055
Western Samoa (S)	Samoan Tala	1.5268
Yemen	Ryal	9.06
Yugoslavia	New Y Dinar	56.9558
Zaire Rp	Zaire	1.6589
Zambia	Kwacha	1.55

* That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 84 231. ‖ Based on cross rates against Russian rouble. ** Rate is the Transfer market (controlled). †† Rate is now based on 2 Barbados £ to the dollar. ‡‡ Now one official rate.

EXCHANGE CROSS RATES

Dec. 18	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.006	3.730	387.5	8.545	3.325	4.030	1673.	2.374	58.85
U.S. Dollar	0.499	1.	1.860	193.2	4.261	1.658	2.009	834.0	1.184	29.34
Deutsche mark	0.268	0.538	1.	103.9	2.291	0.891	1.080	448.4	0.636	15.78
Japanese Yen 1,000	2.581	5.175	9.626	1000.	22.05	8.581	10.40	4316.	6.126	151.9
French Franc 10	1.170	2.347	4.365	453.5	10.	3.891	4.716	1957	2.778	68.87
Swiss Franc	0.301	0.603	1.122	116.5	2.570	1.	1.212	503.0	0.714	17.70
Dutch Guilder	0.248	0.498	0.926	96.15	2.120	0.825	1.	415.0	0.589	14.60
Italian Lira 1,000	0.598	1.199	2.230	231.7	5.109	1.988	2.410	1000.	1.419	35.19
Canadian Dollar	0.421	0.845	1.571	163.2	3.599	1.401	1.698	704.5	1.	24.79
Belgian Franc 100	1.699	3.408	6.338	658.5	14.52	5.650	6.848	2842.	4.034	100.

EURO-CURRENCY INTEREST RATES

Dec. 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	11⅜-11⅝	9⅞-10⅛	7⅞-8½	10-10¼	[illegible]	3⅛-3¼	6½-6¾	11-14	—	[illegible]
7 days' notice	11½-11¾	9⅞-10⅛	7⅞-8½	10-10¼	[illegible]	3⅛-3¼	6⅞-7⅛	13-15	10⅛-10¼	[illegible]
Month	12⅜-12⅝	10⅞-11⅛	9⅝-10⅛	9⅞-10⅛	[illegible]	3⅜-3½	8¾-9	14⅛-15⅛	10⅞-11⅛	[illegible]
Three months	13⅜-13¾	11⅜-11⅝	10⅝-11	9⅞-10⅛	[illegible]	3⅜-3½	9-9¼	15¼-16¼	11¼-11⅜	[illegible]
Six months	13¾-14⅞	12-12¼	10⅞-11⅛	9⅜-9⅝	⅜-½	3⅞-4	9¼-9½	15¾-16¾	12⅛-12¼	2⅝-2¾
One year	13⅝-14	11⅝-11⅞	10⅛-10⅜	8⅝-8⅞	⅞-1	4⅛-4¼	10⅛-10⅜	16¼-17¼	11⅛-11⅜	2⅝-3

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.90-11.00 per cent; three months 11.50-11.60 per cent; six months 11.85-11.95 per cent; one year 11.50-11.60 per cent.

Long-term Eurodollar deposits: Two years 10¾-11 per cent; three years 10¼-10⅝ per cent; four years 10-10¼ per cent; five years 10-10¼ per cent, nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

European rates steady

Short-term interest rates showed little change in Europe yesterday. Day-to-day money was slightly firmer in places but fixed period interest rates were almost entirely unchanged.

FRANKFURT — Call money rose slightly to 3.45-3.55 per cent from 3.40-3.50 per cent, while one-month, three-month, and six-month were all unchanged at 4.10-4.20 per cent. 12-month funds were unchanged at 4.20-4.30 per cent.

AMSTERDAM — Call money was quoted at 11-11½ per cent, compared with 10¾-11½ per cent on Friday. One-month rose to 10¾-11 per cent from 10½-10¾ per cent, and three-month was unchanged at 10½-10¾ per cent, and six-month at 9¾-10 per cent.

PARIS — Interest rates were unchanged, with day-to-day at 6½ per cent; one-month at 6½-6¾ per cent; three-month at 6⅝-6¾ per cent; six-month at 6⅞-7 per cent; and 12-month at 7¼-7⅜ per cent.

BRUSSELS — Deposit rates for the Belgian franc (commercial) were: one-month 9½-9⅝ per cent; three-month 9¼-9½ per cent; six-month and 12-month 8¾-8⅞ per cent.

HONG KONG — The money market was tight with call money at 9 per cent and overnight at 8⅞ per cent.

SINGAPORE — Banks raised their prime rates by ½ per cent to ¾ per cent to rates between 7¾ per cent and 8⅜ per cent. Toronto Dominion moved up ½ per cent to 7¾ per cent, while Bank of America's rate increased by ½ per cent to 8 per cent, as did Chase Manhattan. Moscow Narodny's went up by ½ per cent to 8⅜ per cent.

NEW YORK — Federal funds were slightly firmer in early trading, at 9⅞-9 15/16 per cent, compared with 9 13/16 per cent early on Friday. The Federal Reserve intervened to inject funds by way of overnight repurchase orders as later rates rose to 10 per cent.

GOLD

Sharp rise

Gold rose $5¾ to close $212¾-$213¾ in fairly active trading. It opened at $211¾-212¾, influenced by the weakness of the dollar, and was fixed at $212.20 in the morning and $212.90 in the afternoon. The highest level touched was $214-214¾.

In Paris the 12½ kilo bar was fixed at Fr29,400 per kilo ($214.63 per ounce) compared with Fr29,500 ($214.00) in the morning, and Fr29,050 ($207.47) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM12,720 per kilo ($212.71 per ounce) compared with DM12,555 ($206.06) previously.

	Dec. 18	Dec. 15
Gold Bullion (a fine ounce)		
Close	$212¾-213¾	$206¾-207¾
Opening	$211¾-212¾	$204¾-205¾
Morning fixing	$212.20 (£105.704)	$205.60 (£103.786)
Afternoon fixing	$212.90 (£106.079)	$205.60 (£103.865)
Gold Coins domestically		
Krugerrand	$224¾-226¾ (£112-113)	$218½-220½ (£110½-111½)
New Sovereigns	$63½-65½ (£31¾-32¾)	$62¾-64¾ (£31¾-32¾)
Old Sovereigns	$60½-62½ (£30½-31½)	$59-61 (£29¾-30¾)
Gold Coins Internationally		
Krugerrand	$219-221 (£109½-110½)	$211-213 (£106½-107½)
New Sovereigns	$56-58 (£28-29)	$54½-56½ (£27½-28½)
Old Sovereigns	$60½-62½ (£30½-31½)	$59-61 (£29¾-30¾)
$20 Eagles	$290-295	$285-290
$10 Eagles	$159-164	$155-160
$5 Eagles	$108-113	$106-111

UK MONEY MARKET

Moderate assistance

Bank of England Minimum Lending Rate 12½ per cent (since November 9, 1978)

Day-to-day credit may have been in slightly short supply in the London money market yesterday, but the amount of assistance given by the authorities was probably a little overdone. They bought a moderate number of Treasury bills from the discount houses, and banks are now expected to carry over surplus balances, which will help to relieve the overall shortage expected today.

Banks brought forward modest surplus balances yesterday, and the market was also helped by a fairly large excess of Government disbursements over revenue payments to the Exchequer, and a small number of net maturing Treasury bills.

On the other hand there was a fairly large pre-Christmas rise in the note circulation, and repayment was made of the large amount lent to the houses before the weekend.

Discount houses paid 11½-11¾ per cent for secured call loans in the early part, and closing balances were found at 10¾-11 per cent.

In the interbank market overnight loans opened at 11⅝-11⅞ per cent, and eased to 11-11½ per cent, on expectations of a fairly flat day. Rates firmed to 11¼-11½ per cent, but fell to 10½-11 per cent in the afternoon, before closing at 11½-12 per cent.

LONDON MONEY RATES

Dec. 18 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	10½-12	—	—	—	11⅞	10¾-11½	—	—	—
2 days notice	—	—	11⅞-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	12⅛	—	—	—	—
7 days notice	—	11½-12	11⅞-12⅛	—	12¼	—	11¼-11½	—	—	—
One month	12 1/16-11 15/16	12-12 1/16	12-12⅛	12⅛-12⅛	12⅝	12⅝	11¾	11 7/16	11 11/16	12¼
Two months	12 3/16-12 5/16	12-12 3/16	—	12⅛-12⅛	12½	12¾	11¾	11 9/16	12 1/16	12⅝
Three months	12⅜-12 7/16	12¼-12 5/16	12 7/16-12 5/16	12⅛-12⅛	12⅝	—	11¾	11 9/16	12	12½
Six months	12 3/16-12 5/16	12⅛-12¼	11⅞-12⅛	11½-12¼	12½	—	—	—	11¾	12 11/16
Nine months	11⅞-11¾	11⅞-12⅛	—	11¾-12	12⅛	—	—	—	—	—
One year	11 11/16-11 9/16	11⅞-12 1/16	11¾-11⅞	11⅝-12	12½	—	—	—	—	—
Two years	—	—	12-12⅜	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 12¼-12½ per cent; four years 12¼-12⅝ per cent; five years 12½-12⅝ per cent. ◆ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11 15/16 per cent; four-month trade bills 12⅝ per cent.

Approximate selling rates for one-month Treasury bills 11 3/16 per cent; and two-month 11 7/16 per cent; three months 11 17/32-11 9/16 per cent. Approximate selling rate for one-month bank bills 11⅝ per cent; two-month 11 15/16 per cent; and three-month 11 23/32 per cent; one-month trade bills 12½ per cent; two-month 12⅝ per cent; and also three-month 12⅝ per cent.

Finance House Base Rates (published by the Finance Houses Association) 11½ per cent from December 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Base Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.5788 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5
Fed Funds	9.875
Treasury Bills (13-week)	9.05
Treasury Bills (26-week)	9.30

FRANCE

Discount Rate	3
Overnight	3.50
One month	4.15
Three months	4.15
Six months	4.75

GERMANY

Discount Rate	9.5
Overnight	6.75
One month	6.625
Three months	6.5875
Six months	6.9375

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.75
Bills Discount Rate	4.625

Early Dow 16 fall on OPEC price rise

INVESTMENT DOLLAR PREMIUM

$2.60 to £1 75¾% (77%)

Effective $2.0055 35¼% (34¾%)

THE WEEKEND decision by OPEC nations to raise crude oil prices 14.5 per cent next year sent Wall Street sharply and broadly lower in a heavy turnover yesterday morning.

The Dow Jones Industrial Closing prices and market reports were not available for this edition.

Average, following a decline of 7 points last Friday, fell 16.20 more to 789.15 at 1 pm. The NYSE All Common Index retracted 99 cents to $52.32, while declines held a substantial lead over gains in the ratio of about 18 to one. Turnover expanded sharply to 24.60m shares from Friday's 1 pm level of 15.61m.

Analysts said the OPEC move will heighten inflationary pressures and increase chances for a recession next year. They added that it raises fears of further credit tightening by the Federal Reserve both to defend the dollar and combat inflation.

Analysts, however, also commented that the market appeared to be in a good position technically to absorb the shock and suggested it would stabilise shortly.

Airline, Aircraft, Motor, Drug, Glamour and Computer shares were among the issues hardest hit, but Golds advanced on higher prices for the metal.

Virginia Electric, the volume leader, were unchanged at $13¼. Among other actives, **Pan-American World Airways** lost ¼ to $6½ and **UAL** 1¾ to $29¼.

Boeing fell 2¾ to $67¾, **Ford Motor** ¾ to $40¼, **General Motors** ¾ to $55 and **Xerox** 1½ to $51.

Among the few gaining issues, **Quanex** rose ½ to $28¾ on higher fiscal fourth-quarter profits and a stock split.

Simplicity Pattern, which rose sharply on Friday on take-over speculation, reacted 1½ to $9¾. It is to acquire a soft drink bottling company.

Active **Kennecott Copper** declined 1¾ to $20½. Last Friday, it announced agreement with Curtiss-Wright on a joint slate for directors, ending a proxy fight. **Curtiss-Wright** slipped ½ to $13¾.

THE AMERICAN S.E. Market Value Index was 3.15 weaker at 146.15 at 1 p.m. after volume of 2.76m shares (1.61m).

Volume leader **Resorts International "A"** shed $1 to $25, **Syntex** 1½ to $33½ and **Amdahl** 1¾ to $37. Syntex has forecast better-than-average growth in its fiscal year ending July 30.

Shenandoah Oil, which is selling some producing properties to Moore McCormack Resources, eased ½ to $40¼ in active trading. **Moore McCormack**, on the New York SE, slipped ¾ to $28¾.

Canada

In line with U.S. stock market trends, Canadian markets were heavily depressed in moderate early dealings. The Toronto Composite Index receded 13.7 to 1,270.2 at noon, while Oils and Gas declined 20.9 to 1,743.0, Metals and Minerals 16.5 to 1,057.6, Banks 3.49 to 306.06, Utilities 2.52 to 193.25 and Papers 2.55 to 153.50. Golds, however, contrasted with an advance of 23.5 to 1,372.0.

Asbestos fell C$5 to C$44¾ following news that Quebec has introduced legislation to expropriate the company.

BP Canada, the most active Industrial, shed ½ to C$19¾ on 40,840 shares in Toronto.

Tokyo

Stock prices suffered a further setback across a broad front as investors expressed concern over the larger-than-expected OPEC four-stage 14.5 per cent oil price increase, but some issues were showing signs of recovery towards the close.

Trading was only moderate, volume coming to 220m shares, down from last Friday's 390m. The Nikkei-Dow Jones Average, however, fell 51.90 to 5,978.46, while the Tokyo SE index receded 2.99 to 445.38.

"It's certain that the large oil price increase is expected to have serious effects on Japanese oil importers and the oil refining industry, but Tokyo market participants' initial reaction to the OPEC's decision was relatively calm," one stock analyst said.

He added that "the announcement that the U.S. and China will normalise diplomatic relations was really big news. However, it didn't have a strong impact on Monday's Tokyo market because it's too early to guess what effects it wil have on the Japanese economy."

Petroleums and Blue Chips led the market lower, while export-related issues such as light Electricals and Precision Machinery Manufacturers, declined, partly on the dollar's fall on the Tokyo foreign exchange market.

However, some medium-sized Blue Chips, such as **Mitsukoshi** and **Takeda Pharmaceutical**, gained ground, along with speculative issues such as **Heiwa Real Estate, Mitsumi Electric, Central Glass and Nissan Nohrin.**

TDK Electronics lost Y40 to Y1,800, **Matsushita Electric** Y9 to Y706, **Casio** Y13 to Y885 and **Komatsu** Y6 to Y386.

Germany

Weaker across the board, depressed by the OPEC oil price rise decision, renewed weakness of the dollar and the breakdown of talks between the German metal trade union and steel employers. The Commerzbank index closed 8.6 lower at 812.6.

Among Motors, **Volkswagen** declined DM 4.60 and **Daimler Benz** DM 3.50, while Electricals had **Siemens** down DM 3.60. **Deutsche Bank** receded DM 4 and **Dresdner Bank** DM 3.10, while elsewhere, **MAN** lost DM 5.50 and **KHD** DM 4.

Public Authority Bonds registered fresh falls extending to 50 pfennigs. The Regulating Authorities bought a nominal DM 10.4m of paper, compared with DM 4.3m purchases on Friday. Mark Foreign Loans, however, were steady.

Paris

Widespread losses occurred in fairly active trading, investor confidence having been sapped by the size of the OPEC oil price rise. No other reason was cited for the poor performance.

Significantly lower at the closing bell were **UCB, CIT-Alcatel, Pricel, Sias, Carrefour, Peugeot-Citroen, Bouygues, Borel, Michelin, Saunier-Duval, Perrier, BIC, Galeries Lafayette, LMT, Francaise de Raffinage, Nobel-Bozel, Lyonnaise des Eaux** and **Europe 1.**

Among the few gaining issues were **CIC, La Henin, Generale de Fonderie** and **Saone.**

Australia

Markets remained easier-inclined yesterday, further unsettled by the higher-than-expected OPEC crude oil price increase, which stock market traders fear will destabilise currencies once again and lead to more inflation.

BHP fell 26 cents to A$8.60, also adversely affected by talk that Esso-BHP would not be starting drilling on the Exmouth Plateau after all because the rig was not available.

Oil issues were mainly depressed, with **Woodside** receding 4 cents to 65 cents following weekend speculation that it might have to approach shareholders for more cash. **Beach Petroleum** lost 5 cents to 59 cents and **Crusader** 3 cents to 60 cents.

On the currency fears, however, some traders took up hedge positions in Gold Mines, including the relisted **Poseidon**, which closed 7 cents higher at 80 cents, compared with its returning opening price last week of 65 cents. Gold leader **Central Norseman** moved ahead 40 cents to A$12.50.

Coals firmed on the oil price news on thoughts that this could lead to a stronger demand for steaming coal in the future, with gains of 5 cents being recorded by **Thiess, Utah** and **Howard Smith.**

Diamond exploration issues lost ground following an announcement by **Sibeka**, a Belgian partner in the Ashton diamond venture, that it has sold its 7 per cent interest. **CRA** retreated 10 cents to A$3.45 and **Ashton Mining** 9 cents to 88 cents.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax. ◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ♦ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. ‡ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

Indices

NEW YORK —DOW JONES

	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 8	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
◆Industrials	805.35	812.54	809.86	814.97	817.65	811.85	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'meB'nds*	85.88	85.91	85.97	86.40	86.56	86.47	90.65 (4/1)	85.88 (15/12)	—	—
Transport	209.34	211.14	212.58	214.15	216.04	215.45	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	99.19	99.73	100.14	100.68	101.12	101.30	110.98 (5/1)	98.55 (14/11)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	23,620	29,880	22,560	22,219	21,000	18,560	—	—	—	—

* Basis of Index changed from Aug. 24 ◆ Day's high 815.78 low 801.80

	Dec. 8	Dec. 1	Nov. 24	Year ago approx
Ind. div. yield %	5.97	5.97	5.83	5.63

STANDARD AND POORS

	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 8	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
†Industrials	105.95	106.71	106.85	107.51	107.87	107.28	118.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.55 (30/6/32)
§Composite	95.53	96.04	96.06	96.59	97.11	96.55	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/53)	4.40 (1/6/32)

	Dec. 13	Dec. 6	Nov. 29	Year ago (approx.)
Ind. div. yield %	5.14	5.05	5.25	4.89
Ind. P/E Ratio	8.64	8.77	8.73	9.06
Long Gov. Bond yield	8.84	8.74	8.75	7.88

N.Y.S.E. ALL COMMON

Dec. 15	Dec. 14	Dec. 13	Dec. 12	1978 High	1978 Low
55.51	53.76	53.72	54.05	60.38 (11/9)	48.37 (6/3)

Rises and Falls	Dec. 15	Dec. 14	Dec. 13
Issues Traded	1,912	1,907	1,913
Rises	405	566	463
Falls	1,063	884	1,002
Unchanged	444	457	448
New Highs	—	5	7
New Lows	—	79	47

BASE LENDING RATES

A.B.N. Bank	12½%
Allied Irish Banks Ltd.	12½%
American Express Bk.	12½%
Amro Bank	12½%
A P Bank Ltd.	12½%
Henry Ansbacher	12½%
Associates Cap. Corp.	12½%
Banco de Bilbao	12½%
Bank of Credit & Cmce.	12½%
Bank of Cyprus	12½%
Bank of N.S.W.	12½%
Banque Belge Ltd.	12½%
Banque du Rhone et de la Tamise S.A.	13 %
Barclays Bank	12½%
Barnett Christie Ltd.	13½%
Bremar Holdings Ltd.	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
Canada Perm't Trust	12½%
Cayzer Ltd.	12½%
Cedar Holdings	12½%
■ Charterhouse Japhet	12½%
Choulartons	12½%
C. E. Coates	12½%
Consolidated Credits	12½%
Co-operative Bank	*12½%
Corinthian Securities	12½%
Credit Lyonnais	12½%
Duncan Lawrie	12½%
The Cyprus Popular Bk.	12½%
Eagil Trust	12½%
English Transcont.	12½%
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12½%
Greyhound Guaranty	12½%
Grindlays Bank	12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
■ Hill Samuel	§12½%
C. Hoare & Co.	†12½%
Julian S. Hodge	13½%
Hongkong & Shanghai	12½%
Industrial Bk. of Scot.	12½%
Keyser Ullmann	12½%
Knowsley & Co. Ltd.	14½%
Lloyds Bank	12½%
London Mercantile	12½%
Edward Manson & Co.	13½%
Midland Bank	12½%
■ Samuel Montagu	12½%
■ Morgan Grenfell	12½%
National Westminster	12½%
Norwich General Trust	12½%
P. S. Refson & Co.	12½%
Rossminster	12½%
Royal Bk. Canada Trust	12½%
Schlesinger Limited	12½%
E. S. Schwab	13½%
Security Trust Co. Ltd.	13½%
Shenley Trust	14 %
Standard Chartered	12½%
Trade Dev. Bank	12½%
Trustee Savings Bank	12½%
Twentieth Century Bk.	13½%
United Bank of Kuwait	12½%
Whiteaway Laidlaw	13 %
Williams & Glyn's	12½%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month deposits 10¼%.
† 7-day deposits on sums of £10,000 and under 10%, up to £25,000 10¼%, and over £25,000 10½%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

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Withdraw fish port aid, Silkin urged

BY RICHARD MOONEY

A UNION official whose members' jobs are threatened at the Lancashire port of Fleetwood has asked Mr. John Silkin, the Agriculture and Fisheries Minister, to withdraw the £180,000 grant offered to trawler owners at the port to help them to meet escalating dock charges.

The Fleetwood Vessels Owners' Association announced on Friday that it was going into liquidation in spite of the promise of state aid. The Association, which handles the landing and marketing of fish at the port, had asked for direct aid to cover losses this winter, estimated at £150,000.

The Ministry responded with a promise of a £1.2m grant to boat owners using the ports of Fleetwood, Hull and Grimsby to cover the increased charges. Fleetwood's share of £180,000 would go to owners who are also shareholders in the Association, so it should have been possible to arrange for the money to be used to keep the dockside services going, Ministry officials said.

Mr. Alf Davies, Blackpool and Fleetwood district secretary of the Transport and General Workers' Union, which represents 138 dockside workers at the port, yesterday described the owners' decision to wind up the association as "diabolical."

"They have pocketed the money and run away," he declared. "I have asked the Minister to withdraw his offer."

Mr. Davies charged the owners with trying to evade their responsibilities. "They are holding a gun to the community's head," he said.

Union attempts to persuade the vessel owners to keep the Association in operation have now been abandoned but the dockers are not giving up their jobs without a fight.

"My members are pledged to carry on unloading fish," Mr. Davies stated. "Over 2,500 people in the town of Fleetwood depend on the fishing industry, directly or indirectly, for their livelihood."

Some merchants and transporters have expressed their willingness to join in a scheme to take over the Association's functions but no formal discussions have yet been held.

Green franc change sought

BRUSSELS — France and Italy have begun pressing for rises in their national farm prices in anticipation of EEC Commission proposals for a freeze on Community farm support prices for 1979/80.

At this week's farm council meeting here, France is believed to be seeking approval for early introduction of a 3.6 per cent devaluation of its "green franc," the artificial exchange rate used to convert EEC common prices into national currency. It is effective next Monday on all farm products except cereals, on which the new rate would come into effect at the start of the marketing year in August.

The devaluation would bring a cut of four percentage points in the French MCA, currently 10.6 per cent.

The cut was approved at last year's farm price review for introduction at the start of the 1979 commodity marketing years.

Last week, Italy requested a "green lira" devaluation of 5 per cent, effective immediately on livestock products, and on other products at the start of their respective marketing years.

The most important issue on the agenda for this week's council—the introduction of the new European Currency Unit (ECU) for the Common Agricultural Policy—is not expected to get under way until today. Economic and finance ministers touched briefly on the issue yesterday, before referring it to Agriculture Ministers.

The French are pressing hard for a firm commitment to phasing out MCAs once the new European Monetary System EMS) is fully in operation, and want a timetable agreed as soon as possible. They feel the present allocation of MCAs is costly and in any case does more for German farmers than French ones.

Denmark, meanwhile, has strong reservations about the use of the ECU in agriculture.

Ban on cotton exports angers merchants

BY OUR COMMODITIES STAFF

THE PAKISTAN Government's ban on exports of raw cotton has enraged European merchants who have telexed a fierce rebuke to the Minister of Commerce and the chairman of the Pakistan Cotton Export Corporation.

"Perhaps you have not been advised of the calamitous consequences and the fearsome legal repercussions that this announcement (of the ban) creates," wrote Mr. A. K. J. McBride, chairman of the Association of Cotton Merchants in Europe.

"We earnestly request you to reconsider your decision and to make an urgent announcement that existing contractual obligations will be properly performed and excluded from the export embargo."

The decision to ban exports was taken last week. It aimed to ensure that Pakistan's own mills had adequate supplies at reasonable prices.

Mr Mian Zahid Safraz, Commerce Minister, announced at the same time that this season's cotton crop would yield only 2.8m bales compared with original estimates of 3.6m.

Prices on the local market have gone up 25 per cent recently and the export embargo was planned to keep them in check.

World wheat crop likely to top record 434m tons

BY CHRISTOPHER PARKES

WORLD WHEAT production this season is expected to top 434.3m tons, surpassing the previous record crop of 1976 by almost 17m tons and exceeding by 1-4.3m tons the International Wheat Council's earlier estimate which was issued on October 21.

In it sassessment of the pros pects for the coming year the council suggests end-of-year stocks in the five main exporting countries will be 58.2m tons compared with 54m tons at the end of the 1977-78 campaign.

Total world stocks, excluding China and the USSR should be 83m tons compared with 81m.

Expected world trade in wheat is unchanged at 69.5m tons. But while Pakistan and Vietnam will be buying more than was forecast earlier, import requirements in the USSR, Iran and Bangladesh are expected to fall.

The council puts Australian production at 14.3m tons, up from its last assessment of 11.5 m tons and even higher than the 13.8m-ton forecast put out by the Australian Bureau of Agricultural Economics.

The European Community's crop, which includes durum wheat, is estimated at 47.2m tons compared with the earlier figure of 46.8m Official estimate of the Argentine crop is 6.9m compared with 5.2m tons last year.

World production of coarse grains is also expected to reach a record. Output of these cereals, which are used mainly as animal feed and for processing, is forecast at 735m tons compared with the October figure of 720m and output last year of 693m tons.

Changes in earlier forecasts include an extra 2m tons on the U.S. coarse grains crop, 5m on the Soviet Union's and a possible fall below last year's record output in Argentina if too many farmers switch to soya bean production.

World trade in coarse grains is estimated at 85.9m tons. The expected increase in imports by Japan, Taiwan, China, Brazil and East Europe should more than offset an expected decline in imports into West Europe and the USSR.

World production of soyabeans forecast at about 84m tons, 1m more than expected in October, and 7m tons more than a year ago. In Brazil, where some replanting was made necessary by heavy rains, outlook is reported to be favourable. Production is forecast at 13.5m tons against 9.1m tons in 1977-78.

Reuter reports from Hong Kong that China's northernmost province, Keilungkiang, has produced a record grain harvest of more than 15m tons this year despite drought. The New China News Agency said sowing of crops suitable for local climatic and other natural conditions contributed to the increase in output.

Christmas protest at whale oil refiners

BY RICHARD MOONEY

HIGHGATE AND JOB of Liverpool, Britain's biggest importer and only refiner of sperm whale oil, yesterday received sackloads of protest "Christmas cards" calling for a halt to British imports of this product.

On the eve of a special meeting in Tokyo of the International Whaling Commission, at which the fate of thousands of North Pacific sperm whales will be decided, members of the Friends of the Earth conservationist group delivered an estimated 15,000 cards to the group's head office in Liverpool. Last year Britain imported 14 per cent of world consumption.

Mr. A. N. Turpin, the company secretary who received the delegation, said later that a large proportion of the cards appeared to come from small children. "Others were quite obscene," he added.

At this week's Tokyo meeting IWC members will discuss North Pacific sperm whale quotas which were held over from the June annual meeting in London.

Holiday egg glut sold for export

By Our Commodities Staff

THE EFFECTS of the seasonal glut of eggs which will be laid over the Christmas holiday have been partially offset by an export drive led by the National Egg Packers' Association.

It has arranged to dispose of some 100,000 cases—36m eggs—to buyers from outside the Common Market and companies in the egg processing trade in Britain.

The association said yesterday it had arranged a "substantial" contract with Intereggs, the export firm.

Egg sales in Britain customarily slump during Christmas. The shops are closed, and family diets temporarily exclude the more commonplace foods.

Hens, however, continue laying eggs, and the usual consequence is a post-holiday glut of supplies which drives prices down.

Belgians buy Polish copper

By Christopher Bobinski

WARSAW — Impexmetal, the Polish copper foreign trade organisation yesterday signed a contract to export 7,000 tonnes of electrolytic copper a year to Belgium.

The agreement, which is to run from 1979 to 1982 is with the Société Générale des Minerais and the copper it to be sold at prevailing market prices.

This is the first time Belgium will have bought copper in Poland.

At the same time a credit for the development of Poland's copper industry was signed between the Bank Nadlowy Warszawie and the Société Générale de Banque. No details of the loan were disclosed.

Poland exported 117,919 tonnes of copper in 1977.

Turkeys at 56p a pound

FRESH TURKEYS were only 5 per cent dearer than last year when more than 1,000 were on offer at the Christmas turkey sale at Aylsham, Norfolk, yesterday.

Keenest demand was for smaller birds, between 10 lbs and 12 lbs, which sold for up to 68p a pound and averaged 56p a pound. The bigger birds up to 20 lbs averaged 60p a pound.

'Hidden' costs to Britain of the CAP

BY CHRISTOPHER PARKES

THE "HIDDEN" costs to Britain of the Common Agricultural Policy are revealed in a paper released today by the Centre for European Agricultural Studies at Wye College.

In a wide-ranging and closely detailed study Prof. U. Koester of Kiel University tabulates the awful truth about the real import of the annual price-fixing ritual.

He shows that for every 1 per cent increase in the "common" price for butter in the EEC, Britain has to pay an extra 6.8m units of account (about £3m) to its wealthier partners which produce the bulk of Europe's butter. Italy, too, the poorest Community member, is in much the same position.

Prof. Koester, applying the same computations to a 1 per cent rise in the price of wheat, barley, sugar, beef and dairy produce, shows that Britain has to disburse almost £10m. And this payment is matched almost exactly by a net gain for France.

West Germany, on the other hand, pays out a mere £200,000 for each 1 per cent increase.

"Every price increase for an interventon product stimulates an additional income transfer between the EEC countries," Prof. Koester writes.

"It is not at all surprising that the UK is more strongly opposed to a price increase for butter than for other products."

In his finely-detailed and wide-ranging dissection — or rather dismemberment — Prof. Koester also charts the growth of disillusionment among German farmers and consumers with the workings of the CAP.

The producers are concerned that the recent trend towards marginal increases in prices will become established practice. And they are also vividly aware of the political pressures playing on their livelihoods.

A farmer's income is now only partly dependent on his efficiency. "The effect of political decisions is more and more dominant. Understandably, this creates a feeling of insecurity among farmers," the paper says.

While food processors in Germany did relatively well out of the CAP in the early days, industrialists now are becoming increasingly uneasy about the distortions in trade flows caused by the complexities of a putative "common" policy which in practice has so few truly "common" aspects.

Food manufacturers enjoyed something of a profits bonanza when the CAP was launched. Then, in the interests of a "common" price range for farm products, German prices were cut. The savings on raw material costs to the food industry, far from being passed on to the consumers, were absorbed as extra profits for manufacturers and retailers.

But the farm policy is now much more complex and burdened with political and bureaucratic excesses. "German processors realise more and more that the present system of price policy leads to arbitrary commodity flows which are not predictable," Prof. Koester says. "This may endanger the existence of an industry from time to time."

In his search for common elements in the policy, the author notes that in the first seven years of this decade the average annual increase in food prices in Britain was 14.3 per cent. In West Germany it was 4.9 per cent.

Farmers' incomes have altered in a most erratic fashion and if looked at in isolation show no signs of being the fruits of a "common" policy.

Prof. Koester is particularly damning in his views on the operation of monetary compensatory amounts—the means by which the Community applies levies and subsidies in a bid to operate common trading prices and impose "fair competition" on farm markets.

"Accepting that the MCAs are nothing more than duties as far as the functioning of the market is concerned, we may state that trade restrictions within the EEC are currently greater than is permitted according to General Agreement on Tariffs and Trade rules," he says disarmingly.

The CAP and our Food, Prof. U. Koester, £1.75 from CEAS, Wye College, Ashford, Kent. (The paper is based on a lecture the professor gave at an EEC Commission sponsored seminar recently.)

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lower on the London Metal Exchange but trading was in a narrow range with the movement of currencies the main factor influencing the market. Forward metal started at £783 and climbed during the morning to £785.5. Trading for the rest of the day was just underneath this level, and there was no stimulus from Comex which opened lower than expected. In late trading the price fell away to close on the Kerb at £782 after a routine day's activity. Turnover 20,975 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	767.5-8.5	-3.25	767.5-8.5	-3.25
3 months	783.5-4	-3	784-.5	-7.5
Settl'm'nt	768.5	-3	—	......
Cathodes				
Cash	754-.5	-2	753.5-4.5	-3
3 months	772-.5	-2	772-.5	-7.75
Settl'm'nt	754.5	-2	—	......
U.S. Smt.	—	......	*72	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £768.5, 69, 68.5, three months £784.5, 84, 83.5, 84, 84.5, 84. Cathodes three months £772, 72.5, 72. Kerbs: Wirebars three month £784, 84.5. Afternoon: Wirebars cash £767.5, three months £784, 83.5, 84, 84.5. Cathodes three months £722.5. Kerbs: Wirebars three months £784, 4.5, 4, 3.5, 3, 2.5 2.

TIN—Finished easier. Following the gain in the East over the weekend and the rise in sterling, forward metal started at £6,920 but advanced to £6,980 after the announcement of a fall in warehouse stocks. Hedge selling emerged to depress the price which fell away through the afternoon on lack of interest before it steadied on U.S. covering to close on the Kerb at £6,930. Turnover 980 tonnes.

Morning: Standard three months £6,960, 70, 65, 80, 70, 75. Kerbs: Standard three months £6,970, 60, 65. Afternoon: Standard three months

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7065-70	+62.5	7010-30	-55
3 months	6970-75	+67.5	6925-40	-40
Settlem't	7070	+60	—	......
Standard				
Cash	7065-70	+62.5	7010-30	-55
3 months	6970-75	+67.5	6925-40	-40
Settlem't	7070	+60	—	......
Straits. E.	†$1789	+15	—	......
New York	—	......		

£6,965, 70, 65, 60, 50, 60, 50. Kerbs: Standard three months £6,935, 30, 25, 30.

LEAD—Steady despite the disappointment that warehouse stocks did not decline more sharply. In light trading forward metal moved up from £401 to £402-£403 during the morning and touched £404 in the afternoon. The close on the Kerb was £403.25. Turnover 5,825 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	
Cash	429-30	+3.75	426.5-7.5	+7.5
3 months	402-.5	+.5	402-.5	-5
Sett'ment	430	+4	—	......
U.S. Spot	—	......	*36.36	......

Morning: cash £428, 29, three months £402, 2.5, 3, 2.5. Kerbs: three months £402.5, 2. Afternoon: three months £401.5, 2, 2.5. Kerbs: cash £427, three months £403, 4, 3.5, 3.

ZINC—Traded quietly between £354 and £357.5 throughout the day with the market edging lower in the afternoon on lack of interest to touch £354. The close on the Kerb was £354.25 with the undertone remaining steady. Turnover 5,450 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	†+ or —
	£	£	£	£
Cash	346-7	-1	345-6	-1.5
3 months	356.5-7	-.75	355.5-6	-.75
S'ment	347	-1	—	......
Prim.west	—	......	*35.5-4.5	......

Morning: cash £346, three months £355, 56, 56.5, 57, 57.5, 57, 56.5. Kerbs: cash £347.5, three months £357.5. Afternoon: three months £356.5, 56. Kerbs: three months £355, 54.5, 54.

ALUMINIUM — Easier in routine trading. After starting at £620 forward metal climbed to £623 and then fell to £621 on the late Kerb with the movement of sterling the main influence. Turnover 1,550 tonnes.

Alumin'm	a.m. Official	†+ or —	p.m. Unofficial	†+ or —
	£		£	
Spot	—	......	—	......
3 months	623-4	-.25	621-2	-2.25

Morning: Three months £620, 21, 22, 23. Afternoon: Three months £623, 21. Kerbs: Three months £621.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed 1.2p an ounce higher for spot delivery in the London bullion market yesterday at 298.0p. U.S. cent equivalents of the fixing levels were: spot 598.0c, up 10.0c; three-month 612.1c, up 11.8c; six-month 626.5c, up 12.8c; and 12-month 652.5c, up 13.5c. The apparent anomaly in the dollar equivalents was caused by the dollar's weaker trend in foreign exchange markets. The metal opened at 294¾-295¾p (590-592c) and closed at 296½-297½ (595-596½).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. close	+ or —
Spot	298p	+1.2	296.8p	-0.4
3 months	306.25p	+1.75	304.75p	-0.4
6 months	314.15p	+2.15	—	......
12 months	330.75p	+2.25	—	......

LME—Turnover 469 (242) lots of 10,000 ozs. Morning: Three months 306, 6.2, 6.6, 6.6. Kerb: Three months 306.1, 6.4, 6.6. Afternoon: Three months 305, 4.9, 4.7, 4.8. Kerb: Three months 304.8, 4.6, 4.9.

COTTON

LIVERPOOL COTTON—Spot and shipment sales in Liverpool amounted to 138 tonnes. The amount was light in view of the approaching holidays but spinners were not entirely idle. Scatter contracts were fixed up in various North and South American qualities with occasional support in Middle Eastern growths.

COCOA

Cocoa futures were weak throughout the day due to liquidation causing further stop loss selling, with prices consequently closing some £50 lower at the day's lows, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
Dec.	1945.0-50.0	-37.5	1985.0-44.0
March	1981.0-82.0	-50.5	2025.0-1981
May	2008.0-07.0	-54.0	2059.0-05.0
July	2016.0-17.0	-48.5	2065.0-11.0
Sept.	2020.0-25.0	-45.0	2046.0-20.0
Dec.	1998.0-2005	-45.0	2026.0-1998
March	1980.0-80.8	-44.0	2006.5-1992

Sales: 2,902 (2,201) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound). Daily price for Dec. 15: 179.10 (179.20). Indicator price: Dec. 18: 15-day average 182.65 (183.24): 22-day average 183.74 (184.05).

COFFEE

ROBUSTA futures opened £10-£15 lower and during a quiet but steady morning session volume was small as prices fluctuated in a narrow range. The afternoon was featureless and the market remained bouyant throughout to close £5-£12 down on Friday, reported Drexel Burnham Lambert.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
January	1445-1447	-06.0	1460-1434
March	1289-1290	-09.0	1300-1283
May	1230-1231	-07.5	1235-1224
July	1193-1195	-10.0	1198-1188
September	1161-1163	-08.0	1165-1158
November	1133-1135	-10.0	1135-1135
January	1110-1111	-12.0	1112-1111

Sales: 1,371 (5,859) lots of 5 tonnes.

ICO Indicator prices for Dec. 15 (U.S. cents per pound): Colombian Mild Arabicas 171.50 (same); unwashed Arabicas 143.00 (same); other Mild Arabicas 132.33 (128.67); Robustas ICA 1976 131.00 (same); Robustas ICA 1968 132.00 (131.00). Daily average 131.67 (130.34).

GRAINS

LONDON FUTURES (GAFTA)—Grains opened 5p lower on old crop unchanged on new crops. In thin volume wheat values eased slightly on country selling to close 10-15p lower. Barley values also eased to close 10-20p lower. New crops saw a little trade and values eased slightly to close unchanged to 10p lower on wheat to unchanged to 5p lower on barley, Acli reported.

M'nth	WHEAT Yesterday's close	+ or —	BARLEY Yesterday's close	+ or —
Jan.	91.05	-0.01	83.00	-0.2
Mar.	93.30	....	85.30	-0.15
May	95.75	-0.15	87.85	-0.1
Sept.	89.40	....	85.35	-0.05
Nov.	92.30	+0.01	86.50	

Business done—Wheat: Jan. 91.20-91.05, March 93.40-93.30, May 95.85-95.80, Sept. 89.40-89.40, Nov. 92.30-92.20. Sales 89. Barley: Jan. 83.20-83.00, March 85.50-85.40, May 87.95-87.85, Sept. 83.50-83.50, Nov. 86.50-86.50. Sales 156.

EEC IMPORT LEVIES—The following levies and premiums effective for Dec. 19 are in order of current levy plus Jan., Feb. and March premiums (with previous in brackets). All in units of account per tonne. Common Wheat: 80.33, 1.08, 1.08, nil (80.33, 1.40, 1.40, nil). Durum Wheat: 118.07, 1.44, 1.44, nil (118.07, rest nil). Rye: 838.83 rest nil (83.83, rest nil). Barley: 86.68, rest nil (86.68, rest nil). Oats: 79.35, 4.21, 4.21, 2.39 (79.35, 4.53, 4.53, 0.50). Maize (other than hybrid for seeding): 78.26, rest nil (78.26, rest nil). Buckwheat: nil, rest nil (nil, rest nil). Millet: 64.25, rest nil, 0.63 (83.62, rest nil, 0.63). Grain Sogruhm: 77.14, rest nil (77.14, rest nil). Flour levies: Wheat or mixed wheat and rye flour: 122.81 (123.81). Rye flour: 128.00 (129.70).

MARK LANE—Fairly quiet due to pre-Christmas inactivity. Nominal values. Milling wheat, delivered London Jan. £93.50, Feb. £94.50, March £95.75, April-May-June £100.75. Denaturable quality wheat, delivered East Anglia. Jan. £91.00, Feb. £92.50, March £93.50, April-May-June £97.00. Barley, delivered East Anglia. Jan. £84.00, Feb. £85.00, March £86.50, April-May-June £88.75.

HGCA—Average ex farm spot prices for week ending December 14: Other Milling Wheat—S.E. 89.50, East 89.90, E. Midlands 91.10, W. Midlands 89.40, N.W. 90.20, Scotland 94.20, U.K. 90.80. Feed Barley—S.E. 80.50, S.W. 80.30, East 80.80, E. Midlands 80.50, W. Midlands 78.80, N.E. 79.00, N.W. 79.20, Scotland 79.90, U.K. 79.90. U.K. forward prices for delivery during: Feb. M. Wheat (Bread) 96.30, (Other) 93.90, Feed Wheat K 90.50, Malting Barley 88.90, Feed Barley 82.90. March. M. Wheat (Bread) 98.20, M. Wheat (Other) 95.10, Feed Wheat K 91.40, Malting Barley 90.60, Feed Barley 84.20.

HGCA—Location ex farm spot prices. Feed Wheat—Cambridge 88.50. Feed Barley: Central Scotland 81.40, Cambridge 78.90.

The UK monetary coefficient for the week beginning December 25 (based on HGCA calculations) is expected to remain unchanged.

RUBBER

EASIER opening on the London physical market. Fair interest throughout the day, closing uncertain. Lewis and Peat reported the Malaysian godown price was 234 (235) cents a kilo (buyer, January).

No. 1 R.S.S.	Yesterday's Close	Previous Close	Business Done
Jan.	56.90-57.20	57.70-57.85	56.85-56.75
Feb.	57.80-57.85	58.60-58.75	—
Jan-Mar	57.80-57.85	58.45-58.60	58.05-57.70
Apr-Jne	60.45-60.50	61.05-61.10	61.00-60.20
Jy-Sept.	62.75-62.85	63.30-63.35	63.00-62.55
Oct-Dec	64.95-65.00	65.55-65.60	65.55-64.90
Jan-Mar	67.30-67.35	67.85-67.90	67.50-67.20
Apr-Jne	69.65-69.70	70.25-70.30	69.90-69.70
Jy-Sept.	72.00-72.05	72.50-72.60	72.55-71.95

Sales: 5 (63) lots of 5 tonnes, 285 (217) lots of 15 tonnes.

Physical closing prices (buyers) were: Spot 56.25p (57.5); Jan. 57.9p (58.5); Feb. 58.75p (59.25).

SOYABEAN MEAL

	Yesterday Close	+ or —	Business Done
	£ per tonne		
December	125.20-26.0	+1.95	25.50
February	128.20-28.4	+1.20	28.50-27.80
April	128.70-28.9	+0.40	28.80-28.50
June	124.20-24.8		24.20
August	124.80-25.5	-0.25	—
October	124.70-25.5	-0.35	24.60
December	122.50-26.0	-0.15	—

Sales: 63 (54).

SUGAR

LONDON DAILY PRICE (raw sugar) £102.00 (same) a tonne cif for Nov.-Dec. shipment. White sugar daily price was fixed at £100.00 (£102.00).

Scattered sell-at-best orders produced an easier tone initially, but the lows were shortlived and prices quickly rallied some 100 points. Later, further gains were recorded, but New York quotations turned easier and final prices were only slightly above opening levels, reported C Czarnikow.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
March	110.05-10.10	109.50-09.40	11.25-09.25
May	115.00-15.10	112.40-12.50	14.50-12.40
Aug.	116.85-16.90	116.50-16.55	18.00-16.75
Oct.	119.80-19.90	118.60-18.8	20.85-19.50
Dec.	122.50-22.75	122.10-22.45	25.75-22.50
March	128.00-28.50	128.50-28.75	28.75
May	128.00-30.00	128.00-30.00	—

Sales: 2,472 (921) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £264.85 (same) a tonne for home trade and £173.00 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for Dec. 15. Daily 8.17 (8.16); 15-day average 7.93 (7.91).

WHITE SUGAR—Close (in order buyer, seller, business sales). Feb. 100.00, 101.00, 103.50-03.00, 24; Apr. 107.00, 107.50, 108.25-07.75, 119; July 112.60, 112.75, 113.50-13.00, 25; Sept. 117.75, 118.00, 119.00-17.75, 333; Nov. 124.25, 124.50, nil, nil; Feb. 129.50, 129.75, 130.50-29.25, 71; Apr. 131.75, 134.00, nil, nil. Sales 582.

WOOL FUTURES

LONDON—The market was dull and featureless, reported Bache.

(Pence per kilo)

Australian Greasy Wool	Y'sterd'ys Close	+ or —	Business Done
December	217.0-25.0	......	—
March	218.0-25.0	......	—
May	224.0-35.0	......	—
July	231.0-40.0	......	—
October	234.0-40.0	......	—
December	235.0-42.0	......	—
March	236.0-44.0	......	—
May	239.0-50.0	......	—

Sales: Nil (same).

SYDNEY GREASY—Close (in order buyer, seller, business, sales). Micro-Contract: Dec. 343.0, 344.0, 344.0-343.0, 17; March 350.9, 351.5, 352.1-351.0, 16; May 357.0, 357.5, 358.8-357.6, 10; July 360.2, 361.0, 360.5-360.5, 10; Oct. 363.0, 363.5, 363.7-363.0, 19; Dec. 366.0, 366.5, 366.5-366.5, 12; March 368.9, 369.5, 369.0-369.0, 10; May 369.7, 372.0, nil, nil. Sales: 94.

NEW ZEALAND CROSSBREDS—Close (in order buyer, seller). Dec. 184.0, 190.0; March 183.0, 185.0; May 185.0, 186.0; July 187.0, 190.0; Oct. 190.0, 193.0; Dec. 192.0, 197.0; March 193.0, 198.0; May 193.0, 198.0. Sales nil.

BRADFORD—Business locally was quiet, dealers said. Deliveries have improved a little and prices were fixed more according to the low level offered by buyers than costs. Most firms will be closed throughout the Christmas week.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 56.0 to 59.0. Eire hindquarters 69.0 to 72.0, forequarters 34.0 to 38.0.

Veal: Dutch hinds and ends 98.0 to 100.0.

Lamb: English small 48.0 to 59.0, medium 48.0 to 52.0, heavy 44.0 to 50.0. Scotsh medium 48.0 to 52.0, heavy 44.0 to 50.0. Imported frozen—NZ YL's 46.0 to 48.0.

Pork: English, under 100 lbs 36..5 to 47.0, 100-120 lbs 36.5 to 46.0, 120-160 lbs 35.0 to 42.0.

MEAT COMMISSION—Average fatstock prices at representative markets on week ending December 16. GB—Cattle 71.67p per kg l.w. (+2.89). Sheep 132.6p per kg est.dcw. (-0.3). GB—Pigs 65.6p per kg l.w. (+1.2). England and Wales—Cattle numbers up 27.9 per cent, average price 71.41p (+2.84). Sheep numbers down 9.4 per cent, average price 132.8p (-0.4). Pig numbers up 31.9 per cent, average price 65.6p (+1.2). Scotland—Cattle numbers up 22.5 per cent, average price 72.71p (+2.14). Sheep numbers up 0.9 per cent, average price 128.6p (+0.3). Pig numbers up 34.3 per cent, average price 65.8p (+1.0).

MEAT COMMISSION—Average fatstock prices at representative markets on December 18. GB cattle 70.12p per kg. l.w. (-2.16). UK sheep 134.6p per kg. est. d.c.w (+1.1). GB pigs 62.7p per kg. l.w. (-3.8). England and Wales: Cattle numbers down 24.1 per cent, average price 69.55p (-2.62). Sheep numbers down 27.0 per cent, average price 134.1p (+0.3). Pig numbers up 2.7 per cent, average price 62.6p (-3.9). Scotland: Cattle numbers up 15.5 per cent, average price 71.77p (-1.01). Sheep numbers down 10.1 per cent, average price 132.9p (+2.6). Pig numbers down 4.9 per cent, average price 65.7p (-0.6).

COVENT GARDEN—Prices in sterling per package except where otherwise stated. Imported Produce: Lemons—Italian: 120's new crop 5.25-5.50; Greek: 5.00-5.50; Cyprus: Trays 4.80-5.20, boxes 80/180's 4.00-6.25;

English Produce: Potatoes — Per 25 kilos 1.50-2.00. Lettuce—Per 12 round 1.60-1.80. Mushrooms—Per pound 0.50-0.55. Apples—Per pound Bramley 0.06-0.12, Cox's Orange Pippin 0.08-0.15, Worcester Pearmain 0.04-0.06, Russets 0.08-0.09, Spartan 0.08-0.10. Pears—Per pound Conference 0.08-0.15, Comice 0.14-0.18. Cabbages—Per crate 0.90. Celery—Per head 0.12. Cauliflowers—Per 12's Kent 3.60-4.50. Beetroot—Per 28-lbs 0.60-0.70. Carrots—Per 28-lbs 0.50-0.60. Capsicums—Per pound 0.30. Onions—Per bag 1.80-2.20. Swedes—Per 28-lbs 0.50-0.60. Turnips—Per 28-lbs 0.80-0.90. Parsnips—Per 28-lbs 1.00-1.20. Sprouts—Per pound 0.06-0.07.

PRICE CHANGES

Price in tonnes unless otherwise stated.

	Dec. 14 1978	+ or —	Month ago
Metals			
Aluminium	£710	......	£710
Free market (c/s)	$1,170/90	......	$1,180/20
Copper cash W Bar	£768	-8.25	£749.5
3 months do. do.	£784.25	-7.5	£770.75
Cash Cathode	£754	-8	£738.5
3 months do. do.	£772.25	-7.75	£759.25
Gold Troy oz.	$212.875	+5.75	$199.875
Lead cash	£427	+0.75	£391.5
3 months	£402.25	-0.5	£388.5
Nickel	‡	......	‡
Free Market (cif)(lb)	$1.68	......	$1.70
	1.80		1.80
Platinum troy oz.	£156	......	£142
Free Market	£172	-1.9	£165.2
Quicksilver	$148/55	......	$135/40
Silver troy oz.	298p	+1.2	307.75p
3 months	305.25p	+1.75	315.75p
Tin cash	£7,020	-55	£7,480
3 months	£6,952.5	-40	£7,380
Tungsten (z)	$142.63	......	$141.88
Wolfram 22.04 cif	$137/43	......	$140/45
Zinc cash	£355.75	-0.75	£345
3 months	£347	-1	£357.5
Producers	$720	......	$720
Oils			
Coconut (Phil)	$930p	......	$840
Groundnut	£1,010	......	‡
Linseed Crude	£336	-6.0	£330
Palm Malayan	$615z	+10.0	$595
Seeds			
Copra Philip	$600p	......	$570
Soyabean (U.S.)	$286z	+2.0	$276
Grains			
Barley			
Home Futures	£85.3	-0.4	£85.6
Maize			
French No. 3 Am	£106.00	......	£103.8
Wheat			
No. 1 Red Spring	£96.0	......	£94.5
No.2 Hard Winter	£87.25	......	£89.75
English Milling †	£93.5x	......	£92.5
Other Commodities			
Cocoa shipment	£2,082	-51.0	£2,211
Future Mar.	£1981.5	-50.5	£2,170.5
Coffee Future			
Mar.	£1,289.5	-9.0	£1,417
Cotton 'A' Index	78.95c	-0.1	79.3c
Rubber kilo	56.25p	-1.25	59.5p
Sugar (Raw)	£102	......	£100
Woolsops 64s (kilo)	271p	-1.0	274p

* Nominal. † New crop. ‡ Unquoted. n Jan.-March. p Dec.-Jan. q Jan.-Feb. l Feb. u Jan. x Per ton. z Indicator prices.

INDICES

FINANCIAL TIMES

Dec. 15	Dec. 14	Month ago	Year ago
257.75	255.39	259.24	239.22

(Base: July 1, 1952=100)

REUTERS

Dec. 18	Dec. 15	Month ago	Year ago
1502.5	1506.0	1509.5	1417.0

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Dec. 15	Dec. 14	Month ago	Year ago
Spot	385.17	382.82	395.94	353.88
Futures	381.70	380.54	389.82	324.37

(Average 1924-25-26=100)

MOODY'S

Moody's	Dec. 15	Dec. 14	Month ago	Year ago
Spie Commty	996.6	972.8	991.67	876.8

(December 31, 1931=100)

*

GRIMSBY FISH—Supply moderate, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £6.00-£7.40, codlings £3.80-£4.50; large haddock £4.60-£5.80, medium £4.40-£4.90, small £3.80-£4.40; large plaice £4.80-£6.00, medium £4.80-£5.20, best small £5.00-£5.60; medium skinned dogfish £6.50; large lemon soles £10.50, medium £8.50; rockfish £2.40-£3.40; saithe £2.00-£3.30.

U.S. Markets

NEW YORK, Dec. 18.

Cocoa—Dec. 174.15 (175.90), March 173.60 (175.50), May 173.46, July 173.50, Sept. 171.70, Dec. 168.50, March 166.00. Sales 397.

Coffee—"C" Contract: Dec. 134.25-135.00 (139.50), March 126.50-127.00 (127.34), May 125.00-125.50, July 121.50-122.00, Sept. 119.50-120.50, Dec. 110.00-120.00, March 118.00 bid, May 112.44-122.00. Sales: 1,126.

Copper—Dec. 68.00 (67.85), Jan. 68.15 (68.00), Feb. 68.95, March 69.70, May 70.95, July 72.10, Sept. 73.15, Dec. 74.45, Jan. 74.85, March 75.65, May 76.45, July 77.25, Sept. 78.05.

*Gold—Dec. 214.70 (205.30), Jan. 215.80 (206.40), Feb. 217.60, April 221.50, June 225.40, August 229.40, Oct. 233.30, Dec. 237.20, Feb. 241.10, April 245.00, June 248.90, August 252.80, Oct. 256.80.

†Lard—Chicago loose 23.25 (same). NY prime steam 24.25 nom.

‡‡Maize—Dec. 219¾-220¼ (218¾), March 233½-233¾ (231½), May 242-242¼, July 248, Sept. 249¾, Dec. 253½-253¾.

§Silver—Dec. 595.50 (587.60), Jan. 597.20 (589.80), Feb. 600.60, March 604.00, May 611.50, July 620.20, Sept. 629.00, Dec. 642.70, Jan. 647.60, March 657.30, May 667.10, July 676.90, Sept. 686.70. Handy Harman spot 596.00 (588.00).

Soyabeans—Jan. 703-702 (789½), March 717-715 (702¼), May 723-722, July 722½-723, August 713, Sept. 691, Nov. 674-673, Jan. 681.

||Soyabean Meal—Dec. 198.50-198.30 (194.50), Jan. 197.50-197.60 (193.90), March 196.20-196.10, May 192.70, July 191.80-192.00, August 191.30, Sept. 189.50-190.00, Oct. 186.50, Dec. 185.30, Jan. 184.50-185.00.

Soyabean Oil—Dec. 25.70-25.75 (25.02), Jan. 25.75-25.80 (25.02), March 25.80-25.75, May 25.60, July 25.50, August 25.40, Sept. 24.75-24.70, Oct. 24.35-24.30, Dec. 24.00, Jan. 24.00 asked.

Sugar—No. 11: Jan. 8.45 (8.45), March 8.99-9.00 (8.99), May 9.19, July 9.41-9.44, Sept. 9.65, Oct. 9.74, Jan. 9.65-9.80, March 10.25, May unq.

§Platinum — Jan. 346.00-237.00 (337.40), April 349.00-349.50 (339.60), July 351.50-351.80, Oct. 354.20, Jan. 356.40-356.60, April 358.80-359.90, July 361.20-261.40.

¶¶Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 187.07 (185.75).

*Wheat — Dec. 373¾-374 (360¾), March 348-347½ (232½), May 339, July 325¾, Sept. 330¾, Dec. 341½.

WINNIPEG, Dec. 18. ††Rye—Dec. 96.00 (96.00), May 102.50 asked (102.50), July 103.60 asked, Oct. 101.40.

††Oats—Dec. 90.00 (87.70 bid), March 81.60 (81.00 asked), May 79.50 asked, July 79.00 asked, Oct. 78.70.

††Barley—Dec. 73.80 bid (73.80 bid), March 76.10 bid (76.00 asked), May 76.60, July 77.20 bid, Oct. 77.20 asked.

§§Flaxseed—Dec. 279.00 bid (272.00), May 285.00 asked (282.00 bid), July 286.00 asked, Oct. 284.10.

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounce—100-ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob NY bulk tank cars. ‡ Cents per 56-lb bushel ex-warehouse, 5,000-bushel lots. § $s per troy ounce for 50-oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounce ex-warehouse. || New "B" contract in $s a short ton for bulk lots of 100 short tons delivered fob cars Chicago, Toledo, St. Louis and Alton. ** Cents per 69-lb bushel in store. †† Cents per 24-lb bushel. ‡‡ Cents per 48-lb bushel ex-warehouse. §§ Cents per 56-lb bushel ex-warehouse, 1,000-bushel lots. ¶¶ C$ per tonne.

Butter subsidy

THE CONSUMER subsidy on butter will be reduced by a further 1.5p a pound on January 1. This does not however, automatically signal a parallel increase in shop prices. Retail prices are often distorted by the heavy price cutting campaigns undertaken in many supermarkets.

The new basic rate will be £114.15 a tonne.

COMPANY NOTICES

NOTICE OF PURCHASE

GABINETE DA AREA DE SINES

US $50,000,000 Guaranteed Floating Rate Serial Notes 1982

NOTICE IS HEREBY GIVEN to Noteholders that Dillon, Read Overseas Corporation, London, as Purchase Agent, pursuant to Condition 7 (b) of the Notes has purchase US$6,620,000 principal amount of the subject Notes for account of the Borrower during the 18-month period ending November 30, 1978. After these purchases the principal amount of Notes remaining in circulation was US$43,380,000.

In accordance with the Terms and Conditions of the Notes a 10% capital redemption was made on the balance outstanding on November 30, 1978.

GABINETE DA AREA DE SINES
By: Citibank, N.A., London,
Paying Agent.

December 19, 1978.

Dollar weakness major depressant in stock markets

Equities resume downturn and 30-share index falls 7.0 to 474.0

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov. 27	Dec. 7	Dec. 8	Dec. 19
Dec. 11	Dec. 28	Dec. 29	Jan. 9
Jan. 2	Jan. 11	Jan. 12	Jan. 23

* "New time" dealings may take place from 9.30 am two business days earlier.

The dollar's weakness following *news of the 14.5 per cent rise* in the OPEC crude oil price to be phased in over the next nine months undermined sentiment yesterday in stock markets, replacing Friday's steadier tendency with a very flat tone indeed. Expectations that Wall Street would be depressed were confirmed with early afternoon reports of sharply lower quotations there after the first few hours' trade.

Recently put off by political uncertainties and concern about the threat of widespread labour disputes in the public sector, potential buyers in London were even less in evidence yesterday. The dollar's demise gave rise to renewed fears of further upward pressure on U.S. and UK interest rates which found reflection in *moderate but widespread falls* among Gilt-edged securities.

Sterling's relative strength against the dollar led to worries about reduced overseas earnings which left above-average losses in shares of large exporters and those with big overseas interests. A considerable amount of yesterday's *initial selling* was directed at these companies and although the pressure subsequently faded, little was made by way of a recovery.

As *measured* by the FT Industrial Ordinary share index, virtually all of last Friday's technical rally was surrendered at yesterday's first calculation and the fall was extended to 7.1 at 3 p.m. before a close of seven points down on balance at 474.0, the lowest since November 21. The number of bargains marked remained depressingly low at 3,398.

With the general background hardly conducive to investment in British Funds, quotations reacted in all sectors of the market. Interest rate fears were particularly noticeable at the shorter end where a small after-hours rallying movement finally aborted and left losses extending to 5-16ths. Trade in the longs remained moderate, but losses *among the high-coupon issues* reached ½.

A confusing day in the investment currency market in light of the continuing uncertainties about Ireland's decision to join the EMS saw the premium fluctuate narrowly yesterday and close 1¼ lower on balance at 75¾ per cent. Yesterday's SE conversion factor was 0.7367 (0.7404).

Mainly because of a fairly lively trade in EMI in which 120 contracts were completed, the total number of deals done in the traded option market yesterday improved to 378 from last Friday's 322.

Irish Banks better

Suspended for an hour while dealers awaited details of possible trading restrictions which might follow *Ireland's* decision to join the EMS, trade in the Irish banks was eventually started around 10.30 am although no official statement came. **Bank of Ireland** moved higher on modest support to close 14 to the good at 407p and **Allied Irish** closed 5 better at 200p. Elsewhere, *home banks drifted* lower in thin trading. **Lloyds** and **NatWest** both lost 8 to the common level of 278p. Among Merchant banks, **Hambros** touched 185p in early response to Press comment before closing only 2 dearer on balance at 178p.

Insurances gave ground in quiet trading and closed with falls ranging to 10.

Breweries drifted lower in an extremely low level of business. **Arthur Guinness**, at 158p, lost 4 of Friday's gain of 5 which reflected the good results. Profit-taking also clipped 2 and 3 respectively from **Bass Charrington**, 171p, and **Vaux**, 128p, after last week's trading statements. Elsewhere, Distillery issues eased around 3.

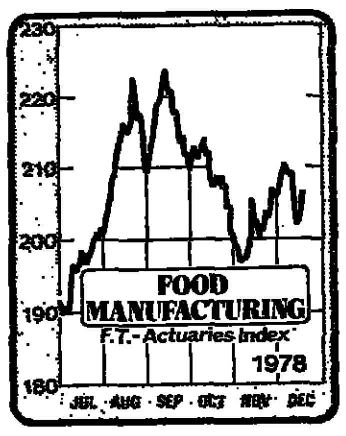
Awaiting developments concerning the possible sale of T. W. Ward's 26.6 per cent stake, **Tunnel B** encountered a fairly active two-way trade and, after falling to 312p, made steady progress to close unchanged on balance at 324p. Other Building descriptions declined in thin trading. **Richard Costain** dropped *8 to 232p and* **Taylor Woodrow** 12 to 403p. The Irish decision to join the European Monetary System prompted late interest in **Cement Roadstone** which put on 6 to 102p.

The recently-announced trading statements prompted fresh interest in **James Latham**, which added 5 to 132p, and **Nottingham Brick**, a like amount to the good at a 1978 peak of 335p, but the disappointing interim profits and the chairman's revised thoughts *about the full-year outcome left* **A. Monk** 6½ down at 90½p. The late announcement that **Heywood Williams** is setting up a separate operating entity to produce window components for the building industry made no apparent impact and the shares finished a couple of pence easier at 149p.

Reflecting concern for overseas earnings in the wake of an ailing U.S. dollar, **ICI** eased 5 to 365p. Despite the news that Birmingham and Midland Counties Trust had increased its stake to 16.75 *per cent,* **Bernard Wardle** cheapened a penny to 33p.

Stores quietly dull

A business survey stating that consumer spending could be lower than expected this Christmas served to depress leading Stores which drifted lower on small selling and lack of support. **Gussies A** finished 4 off at 310p, after 308p, and **Marks and Spencer** cheapened 3 to 83p, as did **House of Fraser**, to 134p.



Elsewhere, the absence of bid developments prompted a fall of 6 to 168p in **MFI Furniture**, but Press comment helped **K. O. Boardman** harden a penny to 44p.

The Electrical leaders took on a distinctly dull appearance as the market became vulnerable to scattered offerings. **GEC** fell away to 327p before rallying a shade to settle at 328p for a fall of 7. **Thorn** gave up 8 to 356p, while **EMI** lost 4 to 138p and **Plessey** 2 to 108p. Electronic issues followed the downward trend, with falls of around 8 marked against **Ferranti**, 348p, **Farnell**, 385p, and **Racal**, 336p. Elsewhere, **United Scientific**, at 257p, gave up 5 of last Friday's rise of 12 which followed the annual results. Against the trend, **Audio Fidelity** were favoured at 42p up 2, along with **Cray Electronics**, a like amount dearer at 35p.

Occasional selling and the virtual absence of support left its mark on the Engineering leaders. **Hawker** were noteworthy for a loss of 8 at 218p, while **Tubes** were also on offer and fell a like amount to 372p. **John Brown** gave up 4 to 372p, and **GKN** closed a few pence off at 253p. The majority of movements in secondary issues were also against holders. Against the trend, satisfactory trading state*ments left* **J. and H. B. Jackson**, 35p, and **British Steam Specialties**, 94p, a penny harder. Buying interest was shown in **United Engineering**, 3 to the good at 84p, and **Ransomes Sims**, a like amount dearer at 168p.

Louis C. Edwards rose to 26p before shading to close a net 4p up at 25p on the Gulliver Foods share deal and management contract. Press comment encouraged a lively balanced trade in **Barker and Dobson** which touched 15½p before settling at 14¾p, unchanged on balance.

In Hotels and Caterers, the *recent flurry of bid activity* directed buyers' attention to **De Vere** which put on 5 to a high for the year of 179p and **Rowton** which firmed 4 to 157p, but adverse Press comment left **Queens Moat Houses** 2 cheaper at 39½p.

Metal Box down

Of the quietly dull miscellaneous Industrial leaders, those with the biggest overseas earnings potential mostly bore the brunt of the falls on concern over the weakening dollar. **Metal Box** old and new lost 10 apiece to 298p and 48p premium respectively, while **Reckitt and Colman** reacted a like amount to 450p. **Beecham** touched 610p before closing only 3 off at 621p, *while* **Turner and Newall** *lost 4* to equal its lowest so far this year of 166p following adverse comment. **BOC International** softened 1½ to 66½p ahead of tomorrow's preliminary results. Elsewhere, **Sotheby's** lost 7 to 338p on small selling ahead of the annual results which were expected to be announced after market hours, while **Aeronautical and General Instruments** receded 5 to 98p on the reduced interim earnings. **Booker McConnell** shed *6 to 274p and* **Broken Hill Proprietary** declined 15 to 670p. **Norcros** hardened a penny to 97p following the interim results and **Lawtex** added 2 at 80p, after 81p, following favourable comment.

Rank Organisation's recent bid for Leisure Caravans stimulated interest in **Joseph Webb** which added 1½ to a 1978 peak of 19½p.

Business in Motors was minimal with most issues tending easier. **Dowty** shed 4 to 260p and **Associated Engineering** lost 3 more for a three-day fall of 7 at 112p following the disappointing annual statement. Among Distributors, **Harold Perry** lacked support and fell 5 to 111p.

Newspaper/publishing issues closed at lower levels after a quiet day's trade. **Associated** eased 4 to 174p, while **Daily Mail A**, 360p, and **News International**, 270p, both shed 5. **Liverpool Daily Post** were also dull and gave up 4 to a year's low of 118p.

Leading Properties closed slightly easier on a lack of investment interest, but secondary issues held steady to firm. News of the £13.9m sale of the AMA building in New York lifted **Centrovincial** 3 to 89p and the capital shares a like amount to 86p and, in a thin market, **Hartley Industrial Trust** put on 3 to 33p, after 35p. **Country and New Town** and **London and Provincial Shop Centres** added 2 apiece to respective highs for the year of 38p and 150p. Profit-taking left recently firm **Percy Bilton** 6 off at 180p.

Helped by the proposed increase in crude oil prices by *OPEC, the Oil leaders* got of to relatively steady start but eventually succumbed to the generally drab and dull conditions. **British Petroleum** finished 6 lower at 920p and **Shell** 4 off at 576p. Among secondary issues, **Oil Exploration** lost 4 to 222p, while slightly disappointing figures for the third quarter lowered **Tricentrol** 2 to 154p.

Losses were fairly widespread throughout the Trust Sector. **Rothschild** stood out with a fall *of 5 at 200p, while* **Continental and Industrial** eased 4 to 186p and **Great Northern** 3 to 95p.

Among thinly-traded Textiles, **Courtaulds** slipped 4 to 118p. **Textured Jersey**, on the other hand, responded to favourable weekend Press comment and hardened 2 to a 1978 peak of 45p.

Very steady Golds

South African Golds responded to the rise in the bullion price, which closed up $5.75 at $212.875 an ounce following the OPEC oil price decision and the con*sequent weakness of* the dollar.

Rises were common throughout the list with the market *stimulated* by good selective buying, first from Johannesburg, then from Europe and in the latter part of the day from the U.S. The Gold Mines Index rose 3.0 to 133.7 and the ex-premium index advanced 1.7 to 98.5.

Although prices finished slightly beneath their best **Vaal Reefs** rose ⅜ to £12 and **West Dries** were ¼ higher at £20⅜.

The steadiness of *Golds* showed through among South African Financials where **Anglo American** were 1 harder at 286p. But in this sector, the feature was **De Beers**, which, prompted by U.S. buying, rose 4 to 356p.

London Financials by contrast were generally lower, in line with the domestic industrial market, although falls were confined to 3 with **Rio Tinto-Zinc** at 229p, **Charter Consolidated** at 138p and **Selection Trust** at 456p. But **Gold Fields** were steady at 178p, *influenced by the gold price.*

The Australian market was quiet with the exception of Diamond stocks which were depressed after the sale of the Sibeka stake in the Ashton exploration consortium for what the market thought was a relatively low price.

Members of the Ashton consortium were depressed. **Northern Mining** registered a fall of 17 to 65p, while **Ashton Mining** slid down 14 to 62p. **Conzinc Riotinto**, *the consortium* leader, moved 10 lower to 260p.

There were further falls among Irish - Canadians following Ireland's decision to join the European Monetary System, but the flood of selling expected did not materialise. **Westfield Minerals**, however, still lost 50 to 230p, while **Northgate** were 345p for a fall of 15 after touching 340p at one stage. **Anglo-United** lost 6 to 160p.

Plastic film to cost more

PLASTIC FILM prices will rise by 10 per cent early next year, with further rises later, the Packaging and Industrial Films Association said yesterday.

Higher polymer prices in the UK and Europe and increases in other manufacturing costs were blamed.

Land cost rises

The cost of agricultural land in Lincolnshire *has risen* by 36 per cent during the last 12 months, according to William Brown and Son, Sleaford estate agents, in their annual report.

COLOMBIA MAY JOIN SUGAR PACT

Colombia has submitted a request to join the International Sugar Agreement next year reports Reuter.

But officials are said to be seeking a higher export quota than the 70,000 tonnes it was offered for this year.

No *decision on* Colombia's application to join, or negotiation of its basic export tonnage is likely before next year.

FINANCIAL TIMES STOCK INDICES

—	Dec. 18	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 11	A year ago
Government Secs.	68.56	68.80	68.60	68.73	68.88	69.01	77.52
Fixed Interest	70.11	70.17	70.03	70.11	70.24	70.26	79.78
Industrial	474.0	481.0	477.9	480.7	485.4	492.3	469.8
Gold Mines	133.7	130.7	131.9	133.9	135.5	139.7	137.0
Gold Mines (Ex-$ pm.)	98.5	96.8	96.7	97.4	98.6	100.1	99.5
Ord. Div. Yield	6.08	6.00	6.03	6.00	5.95	5.87	5.66
Earnings, Y'ld%(full)	16.07	15.86	15.92	15.85	15.70	15.49	17.19
P/E Ratio (net) (*)	8.06	8.19	8.15	8.10	8.27	8.38	8.26
Dealings marked	3,398	3,580	3,944	4,170	4,102	4,619	5,407
Equity turnover £m.	—	61.10	60.10	72.22	66.17	67.59	48.23
Equity bargains total	—	12,641	13,559	14,659	14,864	16,495	9,31

10 am 478.0. 11 am 475.1. Noon 474.0. 1 pm 474.1.
2 pm 473.9. 3 pm 473.9.
Latest Index 01-236 8026.
* Nil=7.84.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Mines 12/9/55. Ex-S pm. index started June 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	67.92 (10/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (3/1)	69.30 (13/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9)	433.4 (3/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	124.1 (29/11)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm.)	132.3 (14/8)	90.3 (18/4)	337.1 (3/4/74)	54.3 (25/6/75)

S.E. ACTIVITY

	Dec. 18	Dec. 15
—Daily		
Gilt Edged	147.7	118.0
Industrials	110.6	126.5
Speculative	21.7	23.1
Totals	77.5	60.1
5-day Average		
Gilt Edged	142.8	147.6
Industrials	132.6	142.5
Speculative	24.5	27.0
Totals	97.1	92.7

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	10	920	−6	954	720
GEC	25p	8	328	−7	349	233
ICI	£1	8	365	−5	421	328
Metal Box "New"	Nil/pd.	8	48pm	−10	70pm	48pm
Barclays Bank	£1	7	362	−8	372	296
Grand Met.	50p	7	112	−1	121	87
Midland Bank	£1	7	356	−6	390	330
Rank Org.	25p	7	240	−6	296	236
Shell Transport	25p	7	576	−4	602	484
BATs Defd.	25p	6	253	−2	304	227
Beecham	25p	6	612	−3	726	581
Distillers	50p	6	201	−3	215	163
Hawker Siddeley	25p	6	218	−8	268	166
Plessey	50p	6	108	−2	125	87
Tst. Houses Forte	25p	6	255	−3	262	166

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec. 5	Dec. 18	Mar. 8	Mar. 20
Dec. 19	Jan. 8	Mar. 22	Apr. 3
Jan. 9	Jan. 22	Apr. 5	Apr. 18

For rate indications see end of Share Information Service

Money was given for the call in London and Northern, Shaw Carpets, Blackman and Conrad, Talbex, English Property, Westland Aircraft, Barker and Dobson, British Land and Provincial Laundries. A put was completed in Burmah Oil, while a double was arranged in Provincial Laundries.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	2	72	4
Corpns. Dom. and Foreign Bonds	4	4	53
Industrials	117	492	922
Financial and Prop.	55	222	235
Oils	3	10	24
Plantation	—	4	26
Mines	48	33	59
Recent Issues	2	9	21
Totals	231	846	1,346

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967
CROW DALTON LAMBERT LIMITED

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company are required on or before the 29th day of June 1979, to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their Solicitors if any, to GERHARD ADOLF WEISS of Guildhall House, 81/87 Gresham Street, London EC2V 7DS, the Joint Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator are by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 8th day of December, 1978.
G. A. WEISS, Joint Liquidator.

No. 003716 of 1978
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of LAGONA BUILDING CONTRACTS LIMITED and in the Matter of the The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 20th day of November 1978, presented to the said Court by DUROX BUILDING UNITS LIMITED whose registered office is at RMC House, 53/55 High Street, Feltham, Middlesex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 15th day of January 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

YOUNG JONES HAIR & CO.,
2 Suffolk Lane,
Cannon Street,
London EC4R 0AU.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition *must serve on, or send* by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person *or firm, or his* or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 12th day of *January* 1979.

No. 003987 of 1978
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ITAL-SPED LIMITED *and in the Matter of The Companies* Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 13th day of December 1978, presented to the said Court by CHANNELPORTS FORWARDERS (PTC) LIMITED whose registered office is 20/22, Emerson Street, S.E.1 in Greater London, a creditor, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 22nd day of January 1979, and any creditor or contributory of the said Company desirous to support or *oppose the making of an Order on the* said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

J. E. BARING & CO.,
74, Chancery Lane,
London WC2A 1AA.
Ref: JAH.
Solicitors for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his *or their solicitor (if any)* and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 19th day of January 1979.

No. 005923 of 1978
In the HIGH COURT OF JUSTICE *Chancery Division, Companies Court.* In the Matter of BARNETT CHRISTIE LIMITED and in the Matter of The Protection of Depositors Act, 1963, and in the Matter of The Companies Acts, 1948 to 1967.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 11th day of December, 1978, presented to the said Court by THE SECRETARY OF STATE FOR TRADE *of 1, Victoria Street, London, S.W.1,* and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 22nd day of January 1979, and any creditor or contributory *of the said Company desirous to support* or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

TREASURY SOLICITOR,
Matthew Parker Street,
London, S.W.1.
Solicitor for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 19th day of January, 1979.

CONTRACTS AND TENDERS

COMPANY NOTICES

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO SHIPPERS AND CONSIGNEES
INLAND RATES—CHARGES IN ENGLAND, SCOTLAND AND WALES

The member lines of the above conferences wish to advise shippers/consignees that, consequent upon increases incurred to date from sources beyond their control, the current inland rates applicable when they arrange inland transport at shippers/consignees request are no longer compensatory and, accordingly, a complete review of the conference tariff of inland rates has been made and upward adjustments have been agreed to become effective 21st January, 1979, details of which may be obtained from any of the undernoted lines. In view of the continuing increases in costs which member lines are being forced to bear a further review of rates may well be necessary during 1979.

Atlantic Container Line G.I.E.
Canadian Pacific Steamships Ltd.
Dart Containerline Company Ltd.
Hapag-Lloyd A.G.
Manchester Liners Ltd. / Golden Cross Line Ltd. } Joint Membership
Ernst Russ (Westbound only)
CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD.,
Secretaries.
Cunard Building,
Liverpool L3 1DS.
December 1978.

BRASILVEST S.A.
SOCIEDADE DE INVESTIMENTO
D.L. 1401

NOTICE IS HEREBY GIVEN that the report and accounts of the captioned company, for the period ending September 30, 1978, are available to the stockholders at the offices of Morgan Guaranty Trust Cy of New York in:
Brussels, 35, avenue des Arts
New York, 15, Broad Street, New York, NY 10015
London, 33, Lombard Street, London, E.C.3
Zurich, Stockerstrasse 38—CH 8022.

DECCA LIMITED

NOTICE IS HEREBY GIVEN that the transfer books of the 6% Unsecured Loan Stock will be closed from the 17th to the 30th January, 1979, for the preparation of interest warrants payable on 31st January, 1979.

By Order of the Board.
W. L. SPALDING, Secretary.
Decca House,
9, Albert Embankment,
London SE1 7SW.
18th December, 1978.

OBITUARY

IAN MARSHALL. The death is announced of Ian Marshall, the annual general meeting verbatim reporter, on December 14, 1978. Ian Marshall had a varied shorthand reporting career at the highest military and civil levels. He was a familiar figure at many annual general meetings reporting on behalf of the Financial Times, The Times, the Daily Telegraph, etc.

LONDON TRADED OPTIONS

Option	Ex'rc'se price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	950	10	—	41	—	63	10	920p
Com Union	140	8	5	12	—	16	—	144p
Com Union	160	1½	—	4	10	8	—	..
Cons Gold	160	21	9	29	—	32	—	178p
Cons Gold	180	5½	20	15½	—	17	—	..
Cons Gold	200	1	5	6	—	10	—	..
Courtaulds	110	11	—	15½	—	17½	10	118p
Courtaulds	130	1¼	5	5½	10	7½	—	..
GEC	300	32	—	43	21	59	—	328p
GEC	330	11	5	24	3	39	—	..
GEC	360	2½	—	12	2	27	—	..
Grand Met.	110	5	3	8½	—	11½	3	112p
Grand Met.	120	1¾	—	4	10	7	—	..
ICI	330	41	10	45	5	—	—	364p
ICI	360	15	10	22	5	38	—	..
ICI	390	3½	—	9	23	20	—	..
ICI	420	¾	—	3½	5	11	—	..
Land Secs	220	24	10	32	—	37	—	241p
Land Secs	240	8	2	17	—	24	—	..
Marks & Sp.	70	15	14	17	—	20	—	84p
Marks & Sp.	80	7	17	11½	—	13	—	..
Marks & Sp.	90	2	10	5	—	9	—	..
Shell	550	33	1	52	—	60	—	579p
Totals			126		94		23	

Option	Ex'rc'se price	February Closing offer	February Vol.	May Closing offer	May Vol.	August Closing offer	August Vol.	Equity close
BOC Intl.	60	9	10	12	—	13½	—	67p
Boots	180	18	5	26	—	29	—	193p
EMI	140	8	—	14	48	18	—	139p
EMI	160	2	—	5½	36	11	—	..
EMI	180	½	—	2½	36	—	—	..
Totals			15		120		—	

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
42½	F.P.	24/11	48	45	Arncliffe Hldgs.	44	......	2.55	2.4	8.7	7.1
A$0.50	F.P.	—	78	61	Ashton Mining 50c	62	−14	—	—	—	—
A$1.25	F.P.	—	106	100	††Aust. Farming A$1	100	−2	—	—	—	—
155	F.P.	10/1	176	171	Harris Queensway 20p	176	......	7.8	3.1	6.6	7.3
29	F.P.	5/1	31	29	Kitchen Queen 10p	29½	......	1.34	3.4	6.8	4.9
110	F.P.	—	125	115	MillettsLeis're Shps 20p	122	−3	5.7	1.83	7.0	11.7

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
£99¾	F.P.	—	99¾	99½	Anglesey Variable 1983	99¾	......
•	£10	26/1	15	11¾	Colne Valley Water 8% Red P. Prf. 1983	13	......
£1	F.P.	16/11	120	101	Crosby House 10% Conv. '87-90	120	......
100p	Nil	28/12	¼pm	¼pm	Findlay 8% Cnv. Cum Red. Prf.	¼pm	......
100p	Nil	5/1	6pm	2pm	Hawley-Goodall 12% Cnv. Uns. Ln. '88-93	6pm	+1
£1	....	22/12	99p	98p	Newman Inds. 10% Acc. Pref.	98p	......
•	£10	—	13¼	13	Mid Kent Water 8% Pref. 1984	13¼	......
£97½	F.P.	25/1	97	96½	Rickmansworth & Uxbridge Water 7% '85	96¾	......
97p	F.P.	5/1	99p	98p	Seascope 10% Pref.	99p	......

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978 High	1978 Low	Stock	Closing Price p:	+ or −
560	F.P.	8/12	12/1	645	668	Beecham	618	−5
17	F.P.	15/12	26/1	20¼	19½	Boulton (Wm.)	19½	......
350	F.P.	5/12	21/12	414	372	Brown (J.)	372	−4
67	F.P.	29/11	5/1	77	71	Capper-Neill	72	......
105	F.P.	15/12	12/1	115	107	Clifford (Chas.)	112	+1
93	F.P.	15/12	12/1	110	101	Dixon (D.)	110	......
45	Nil	3/1	9/2	3pm	2pm	Foster (John)	2½pm	−½
130	F.P.	8/12	12/1	147	140	Hoskins & Horton	145	......
210	Nil	—	—	35pm	32pm	Lep Group	32pm	......
125	F.P.	15/12	12/1	161	15	M.L. Holdings	153	−1
250	Nil	3/1	9/2	70pm	48pm	Metal Box	48pm	−10
55	Nil	—	—	13pm	12pm	Milbury	12pm	......
185	F.P.	18/12	10/1	230	210	Stothert & Pitt	225	−5
62	F.P.	18/12	15/1	76	67	Term Consulate	73	......
228	Nil	—	—	6pm	6pm	York Fine Woollen	6pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise *indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights."* ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., Dec. 18, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Fri., Dec. 15 Index No.	Thur., Dec. 14 Index No.	Wed., Dec. 13 Index No.	Tues., Dec. 12 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (172)	232.77	−1.4	17.18	5.58	7.98	236.17	235.30	236.54	239.63	201.19
2 Building Materials (27)	203.34	−1.1	18.47	6.35	7.45	205.58	204.24	205.15	209.18	184.24
3 Contracting, Construction (28)	363.77	−1.7	20.89	4.46	6.87	370.21	368.84	372.49	380.38	321.80
4 Electricals (15)	547.66	−1.9	13.69	3.47	10.06	558.19	556.73	558.58	564.97	437.76
5 Engineering Contractors (14)	359.89	−1.4	18.11	5.99	7.51	364.90	365.07	366.63	370.56	284.62
6 Mechanical Engineering (72)	180.85	−1.3	18.65	6.20	7.16	183.28	182.86	184.11	186.25	156.33
8 Metals and Metal Forming (16)	161.03	−0.9	16.97	8.88	8.19	162.47	161.27	161.99	162.95	156.86
CONSUMER GOODS										
11 (DURABLE) (53)	207.28	−1.4	16.99	5.17	7.85	210.18	209.86	210.65	213.38	184.94
12 Lt. Electronics, Radio, TV (16)	259.93	−1.8	14.34	3.95	9.78	264.78	264.63	265.38	269.27	220.58
13 Household Goods (12)	167.65	−0.5	18.02	6.81	7.62	168.58	169.06	169.21	171.04	178.32
14 Motors and Distributors (25)	121.19	−0.8	21.41	6.95	5.86	122.12	121.61	122.34	123.27	112.74
CONSUMER GOODS										
21 (NON-DURABLE) (171)	207.71	−1.3	16.33	6.12	8.16	210.47	209.47	209.79	212.91	196.85
22 Breweries (14)	231.44	−0.8	15.82	6.49	7.95	233.42	232.51	232.04	234.57	222.24
23 Wines and Spirits (6)	283.70	−1.6	16.38	5.25	8.97	288.34	287.14	282.64	285.98	236.90
24 Entertainment, Catering (17)	268.53	−1.0	13.81	6.56	10.57	271.23	269.20	272.04	274.56	245.33
25 Food Manufacturing (19)	280.69	−1.2	18.93	5.61	7.02	283.06	281.81	282.69	286.30	197.93
26 Food Retailing (15)	225.21	−1.3	13.90	5.25	10.06	228.08	227.05	226.71	229.65	204.81
32 Newspapers, Publishing (12)	370.83	−1.5	21.69	6.55	6.50	376.31	377.54	378.23	379.66	330.89
33 Packaging and Paper (15)	130.17	−1.6	19.58	8.08	6.66	132.25	131.42	132.12	132.99	123.65
34 Stores (40)	192.98	−1.5	12.20	4.89	11.79	196.00	195.14	195.36	197.66	189.17
35 Textiles (24)	179.52	−1.8	17.86	8.13	7.25	182.81	181.46	182.38	183.32	167.83
36 Tobaccos (3)	234.01	−1.1	23.71	8.02	4.99	236.59	236.00	236.50	240.09	216.88
37 Toys and Games (6)	92.25	−0.6	23.93	7.01	4.93	92.78	93.99	93.45	94.47	98.18
41 OTHER GROUPS (99)	194.86	−1.0	16.07	6.38	7.99	196.77	195.85	196.51	199.27	190.05
42 Chemicals (19)	277.50	−1.2	16.48	6.81	7.89	280.79	279.20	279.96	283.20	258.91
43 Pharmaceutical Products (7)	242.11	−0.7	11.46	4.80	10.57	243.80	242.60	243.08	247.48	0.00
44 Office Equipment (6)	126.06	−1.6	19.27	6.13	6.19	128.07	128.17	129.35	132.29	122.60
45 Shipping (10)	407.19	−1.2	14.86	7.47	8.54	412.13	408.91	407.88	410.56	450.69
46 Miscellaneous (57)	211.54	−0.8	18.12	6.77	7.29	213.19	212.35	213.35	216.29	198.71
49 INDUSTRIAL GROUP (495)	217.48	−1.3	16.53	5.97	8.05	220.27	219.34	220.02	222.83	202.12
51 Oils (5)	515.08	−0.7	13.57	3.90	8.08	518.61	516.95	517.92	516.43	473.94
59 500 SHARE INDEX	242.11	−1.2	16.07	5.65	8.04	244.99	244.00	244.64	247.24	224.63
61 FINANCIAL GROUP (100)	167.86	−1.2	—	5.88	—	169.95	168.22	168.47	170.55	166.66
62 Banks (6)	195.97	−2.2	24.04	6.01	6.23	200.42	197.64	196.48	199.79	189.23
63 Discount Houses (10)	215.77	+0.1	—	8.20	—	215.65	216.92	218.28	218.14	215.72
64 Hire Purchase (5)	164.66	−0.7	14.79	5.18	8.92	165.81	156.00	155.26	158.13	164.93
65 Insurance (Life) (10)	133.79	−1.1	—	7.02	—	135.31	133.91	135.35	136.62	137.66
66 Insurance (Composite) (7)	122.01	−1.7	—	7.19	—	124.06	122.64	123.13	125.40	132.84
67 Insurance Brokers (10)	311.32	−0.6	15.36	5.41	9.29	313.17	312.29	313.78	314.66	331.71
68 Merchant Banks (14)	77.71	−0.4	—	6.31	—	77.99	77.92	78.34	79.19	81.14
69 Property (31)	267.08	−0.1	3.73	3.05	43.82	267.27	266.02	266.30	268.35	231.07
70 Miscellaneous (7)	111.72	+0.1	22.64	7.61	5.72	111.56	111.56	112.46	111.71	104.67
71 Investment Trusts (50)	203.93	−1.4	—	5.16	—	206.75	207.25	208.67	211.45	203.12
81 Mining Finance (4)	102.57	−0.8	18.33	6.94	6.72	103.41	103.05	102.72	104.73	88.38
91 Overseas Traders (19)	296.65	−0.5	16.55	7.90	7.57	298.13	298.13	300.20	303.91	277.35
99 ALL-SHARE INDEX (673)	221.71	−1.2	—	5.74	—	224.33	223.28	223.87	226.35	208.52

FIXED INTEREST PRICE INDICES

British Government	Mon., Dec. 18	Day's change %	xd adj. To-day	xd adj. 1978 to date
1 Under 5 years	102.76	−0.14	—	9.19
2 5-15 years	110.53	−0.26	0.42	10.87
3 Over 15 years	115.66	−0.22	0.91	13.98
4 Irredeemables	122.76	−0.27	—	13.54
5 All stocks	109.21	−0.20	0.41	11.39

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

	Mon., Dec. 18	Fri., Dec. 15	Year ago (approx.)
1 Low Coupons 5 years	9.71	9.65	7.11
2 15 years	11.45	11.40	9.25
3 25 years	12.22	12.15	9.91
4 Medium Coupons 5 years	12.67	12.68	9.43
5 15 years	12.72	12.67	10.36
6 25 years	12.72	12.67	10.55
7 High Coupons 5 years	12.70	12.61	10.00
8 15 years	13.29	13.25	11.25
9 25 years	13.30	13.28	11.31
10 Irredeemables	11.98	11.94	10.80

	Mon., Dec. 18 Index No.	Mon., Dec. 18 Yield %	Fri. Dec. 15	Thurs. Dec. 14	Wed. Dec. 13	Tues. Dec. 12	Mon. Dec. 11	Fri. Dec. 8	Thurs. Dec. 7	Year ago (approx)
15 20-yr. Red. Deb & Loans (15)	56.13	‡13.46	56.13	56.09	56.09	56.09	56.08	56.02	56.02	61.79
16 Investment Trust Prefs. (15)	50.96	13.72	50.96	50.96	50.91	50.87	51.13	51.16	51.13	56.18
17 Coml. and Indl. Prefs. (20)	72.42	12.94	72.42	72.41	72.38	72.17	71.56	71.43	71.44	76.73

‡ Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. Ltd. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Allied Hambro Group♥ (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Framlington Unit Mgt. Ltd. (a)
5-7 Ireland Yard, EC4B 5DH. 01-248 6971

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4. 01-623 1050

Minster Dec. 11	38.8	40.8	.....	5.67
Exempt Nov. 30	99.6	103.6	.....	5.40

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-930 7333

MLA Units	46.9	49.3	.....	3.85

Murray Johnstone U.T. Mgnt.♥ (a)
163, Hope Street, Glasgow, G2 2UH. 041-221 5521

MJ European	79.9	85.1	.....	3.66

Dealing Day Friday.

Mutual Unit Trust Managers♥ (a)(g)
15, Copthall Ave., EC2R 7BU. 01-606 4803

Provincial Life Inv. Co. Ltd.♥
222, Bishopsgate, EC2. 01-247 6533

Prolific Units	82.0	87.8	−0.5	3.33
High Income	117.8	126.2	−0.5	7.73

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)
Holborn Bars, EC1N 2NH. 01-405 9222

Prudential	127.5	135.5	−1.0	4.79

Quilter Management Co. Ltd.♥
The Stk. Exchange, EC2N 1HP. 01-600 4177

Quadrant Gen. Fd.	105.1	109.5	−1.4	4.52
Quadrant Income	132.3	136.4	−1.4	8.04

Reliance Unit Mgrs. Ltd.♥

Save & Prosper continued
Scotbits Securities Ltd.♥

Schlesinger Trust Mngrs. Ltd. (a) (z)
140, South Street, Dorking.

J. Finlay Income	35.9	38.6	.....	8.01
J. Finlay Euro. Fin.	26.4	28.4	.....	3.37
Accum. Units	31.3	33.6	.....	3.37
J. Finlay Fd. In. Tst.	27.6	29.6	.....	4.28
Accum. Units	32.1	34.5	.....	4.28

Prices Dec. 13. Next dealing Dec. 20.

Do. Accum.	68.4	73.6	.....	
Equity Exempt*	106.1	112.0	.....	
Do. Accum.*	106.1	112.0	.....	
Japan & Pacific	45.5	48.5	.....	
Do. Accum.	45.5	48.5	.....	

*Prices at Dec. 15. Next dealing Dec. 22.

CORAL INDEX: Close 471-476

INSURANCE BASE RATES

†Property Growth	11¾%
†Vanbrugh Guaranteed	10.75%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

J.E.T. Managers (Jersey) Ltd.
P.O. Box 98, Channel House, Jersey. 0534 73673

Jersey Extrnl. Tst.	158.0	168.0		—

As at Nov. 30. Next sub. day Dec. 31.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$296.41	.....	2.40
Jardine J'pn. Fd.*	HK$400.90	.....	0.90
Jardine S.E.A.	HK$16.40	.....	2.10
Jardine Flem. Int.	HK$11.63	.....	—
Intl. Pac. Secs. (Inc.)	HK$13.31	.....	—
Do. (Accum.)	HK$13.44	.....	—

NAV Nov. 30. *Equivalent $US83.32.
Next sub. day December 29.

Gr. St. $Fd. Nov 30	$US7.50		.....	—
Merc. Ebd. Dec. 13	$US10.42	10.53	.....	0.3687
MercMyMktDec 18	£10.20	10.21	+0.01	—

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. C1 0534 73741

CMF Ltd. Nov 30	$US13.56	13.90	.....	—
CMT Ltd. Nov. 30	£13.67	14.02	.....	—
Metals Tst. Nov. 16	£12.73	13.04	.....	—
TMT Dec. 18	US$10.39	10.66	+0.45	—
TMT Ltd Dec. 18	£10.28	10.55	+0.42	—

World Wide Growth Management⊕
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$US14.76	−0.19	—

NOTES

Prices do not include $ premium, except where indicated ⊕, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ⊕. § Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1978 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
105½	99⅞	Treasury 11½pc '79‡‡	99⅞	......	11.51	11.91
97	94½	Treasury 3pc '79‡‡	95⅞	−⅛	3.16	9.99
97¾	95⅛	Electric 4¼pc '74-79	96	−⅛	4.43	9.71
104½	93⅞	Treasury 10½pc '79‡‡	99⅛	−⅛	10.59	11.52
96½	94¾	Electric 3½pc '76-79	95⅞	......	3.65	8.30
103⅞	96⅛	Treasury 9pc 1980‡‡	97⅛	−⅛	9.27	11.66
102⅞	96½	Treasury 9½pc '80‡‡	97⅛	−⅛	9.78	11.73
95⅛	92⅞	Treasury 3½pc '77-80	94⅞	−⅛	3.69	7.29
96½	93¼	Funding 5¼pc '78-80‡‡	94⅞	−¼	5.55	9.01
110¼	100⅝	Exchequer 13pc 1980‡‡	101⅛	−⅛	12.81	12.24
106¼	97⅞	Treasury 11½pc 1981‡‡	98⅛xd	−⅛	11.70	12.09
91⅝	88¼	Treasury 3½pc 1979-81	88⅝	......	3.95	9.42
101¼	94⅛	Treasury 9¾pc 1981‡‡	94⅞	−⅛	10.28	12.38
97⅛	91⅛	Exch. 8¾pc 1981	91⅞	−⅛	8.98	12.22
100⅛	92¼	Exch. 9½pc 1981	93⅛	−⅛	10.17	12.52
87⅛	85⅛	Exch. 3pc 1981	85⅛	−⅛	3.51	9.27
97⅛	95⅛	Treas. Variable '81§§	96⅛	+⅛	12.51	13.52
111	100	Exch. 12¾pc 1981‡‡	100¼	−¼	12.66	12.42
99⅛	89¼	Treas. 8½pc '80-82‡‡	90⅝xd	−¼	9.38	12.27
85⅛	82⅞	Treasury 3pc '82‡‡	83⅛	−⅛	3.60	9.17
115⅞	103⅛	Treasury 14pc '82‡‡	103⅞	−¼	13.48	12.49
96⅛	94	Treas. Variable '82§§	95⅛	+⅛	12.69	1.91
95⅛	87¼	Treasury 8¼pc '82	88⅛xd	−¼	9.34	12.43
100¼	89⅛	Exch. 9¼pc 1982	89⅞	−¼	10.29	12.69
96⅛	87⅛	Exch. 8¼pc 1983	88¼xd	−¼	9.93	12.60
85¼	79⅛	Exch 3pc '83	79½	−⅛	3.77	8.99
114¼	97⅝	Treasury 12pc 1983‡‡	98⅛	−¼	12.22	12.55
100⅛	87⅛	Treasury 9¼pc '83	83⅛xd	−⅛	10.46	12.72
95⅛	88	Exch. 10pc 1983	89⅞	−¼	11.13	12.81
		Five to Fifteen Years				
89⅝	80¼	Funding 5½pc '82-84‡‡	80⅛xd	−¼	6.81	10.49
97⅛	97⅛	Exch. 12¼pc 1985●	97⅛	−¼	12.75	13.07
96⅞	83¼	Treasury 8½pc '84-86‡‡	83⅞xd	−¼	10.07	11.68
87⅝	75½	Funding 6½pc '85-87‡‡	76⅛	−¼	8.61	11.06
89⅝	79⅝	Treasury 7¾pc '85-88‡‡	80¼	−¼	9.98	11.81
68⅞	60⅛	Transport 3pc '78-88	61⅞xd	−¼	4.64	9.04
75⅝	63¾	Treasury 5pc '86-89	64¾	−¼	7.83	10.72
115¼	90⅝	Treasury 13pc 1990‡‡	99½xd	−¼	12.99	13.00
89⅛	76	Treasury 8¼pc '87-90‡‡	77	−¼	10.73	12.01

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly	23½	......	—	—
41	33	Do. 5pc Pref.	39xd	......	—	—
98	98	Chilean Mixed	98	......	—	f3.10
415	350	German Yng. 4½pc.	415	......	4½	—
54	46	Greek 7pc Ass	50	......	3½	f7.20
51	46	Do 6pc 28 Stab. Ass.	49	......	6	f6.24
44	40	Do 4pc Mixed Ass.	40	......	4	f5.13

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 35⅜% (based on US$2.0078 per £)
Conversion factor 0.7367 (0.7404)

CANADIANS

S.E. List Premium 35⅜% (based on $2.3789 per £)

BANKS AND HIRE PURCHASE

1978 High	Low	Stock	Price	+ or —	Div Net	Cvr	Y'ld Gr's	P/E
255	195	Gillett Bros. £1.	227	......	15.41	—	10.1	—
29	19	Goode D't Mry.5p	19½	......	0.13	—	1.0	—
142	96	Grindlays	127	−1	2.79	7.1	3.3	4.5
130	93	Guinness Peat	113	−1	h5.15	—	6.8	—
217	155	Hambros	178	+2	†9.76	—	8.2	—
100	81	Hill Samuel	86	......	†4.97	—	8.6	—
600	187	Do. Warrants	187	......	—	—	—	—
360	203	Hong Shng.$2.50	242	−6	hQ59c	—	2.9	—
69	52	Jessel Toynbee	64	......	3.65	—	8.5	—
215	150	Joseph (Leo) £1	155	......	8.74	—	8.4	—
55	37	Keyser Ullmann	47	+1	0.67	—	2.1	—
74	56	King & Shax 20p	64	......	3.44	—	8.2	—

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

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INDUSTRIALS (Miscel.)

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MINES—Continued

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
15	9	Acmex 25c	10	.....	—	—	—
140	64	Bougainville 50 Toea	121	.....	†Q8c	1.4	4.2
131	63	BH South 50c	112	–2	—	—	—
820	150	Central Pacific	360	–25	—	—	—
336	148	Conzinc Riotinto 50c.	260	–10	‡Q10c	2.2	‡
27	9½	Endeavour 20c	18½	+½	—	—	—
75	45	G.M. Kalgoorlie $1	52	.....	—	—	—
68	18	Haoma Gold N.L.	28	–2	—	—	—
158	81	Hampton Areas 5p.	150	–3	♦13.55	2.8	3.5
40	10	Metals Ex. 50c	25	–1½	—	—	—
223	125	M.I.M. Hldgs. 50c	188	.....	Q9c	1.7	3.0
22	10	Minefields Expl.	15	.....	—	—	—
40	10	Mount Lyell 25c	34	–2	—	—	—
7	1½	Newmetal 10c	5½	.....	—	—	—
143	79	North B. Hill 50c	101	–1	Q8c	1.3	4.9
16½	8½	Nth. Kalgurli	11	.....	—	—	—
50	12	Nth. West Mining	24	–1	—	—	—
178	115	Oakbridge SA1	126	.....	Q12c	1.9	10.9
42	10	††Otter N.L.	22	.....	—	—	—
70	30	Pacific Copper	63	.....	—	—	—
£15½	725	Pancont'l 25c	725	–25	—	—	—
40	12	Paringa M&Ex.5p	18	–1	—	—	—
570	310	Peko-Wallsend 50c	410	–6	Q15c	♦	2.3
300	50	Southern Pacific	160	–5	—	—	—
164	84	WestA. Mining 50c	128	–2	Q3c	0.7	1.4
100	35	Whim Creek 20c	60	–5	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	24	.....	2.81	1.3	17.4
420	240	Ayer Hitam $M1	305	.....	Q300c	0.5	21.1
60	45	Beralt Tin	55	.....	4.0	♦	11.4
305	190	Berjuntai $M1	200	–5	Q110c	1.0	11.8
185	111	Geevor	155	–5	H5.57	5.8	5.4
11	8½	Gold & Base 12½p	10	.....	—	—	—
350	220	Gopeng Cons.	295	.....	†15.36	0.9	7.7
320	130	Hongkong	312xd	.....	12.5	♦	6.0
93	70	Idris 10p	70	–3	‡12.0	1.6	—
11	7	Jantar 12½p	9½	.....	—	—	—
64	63	Kamunting $M0.50	63xd	–1	†Q12.5c	2.1	4.3
640	450	Killinghall	620	.....	Q128.36	♦	23.7
470	280	Malay Dredging $M1	350	.....	Q175c	0.7	10.7
78	40	♠Pahang	42	–1	—	—	—
78	50	Pengkalen 10p	60	.....	6.60	1.3	16.4
270	165	Petaling $M1	205xd	–5	Q120c	♦	12.6
87	49	Saint Piran	79	–1	†2.03	6.5	3.9
70	47	South Crofty 10p	59	–1	†4.19	2.0	10.9
245	140	South Kinta $M0.50	170	.....	sQ145c	0.6	18.3
340	230	Sthn Malayan $M1	270	.....	Q190c	1.0	15.1
240	134	Sungei Besi $M1	200xd	–10	mQ65c	5.3	7.0
85	55	Supreme Corp. $M1	60	–5	ZQ10c	—	3.6
103	84	Tanjong 15p	103	.....	6.60	0.8	9.6
100	74	Tongkah Hrbr. $M1	85	.....	Q35.82%	0.7	9.4
270	148	Tronoh $M1	195	.....	‡Q88c	1.6	‡

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
104	54	Messina R0.50	56	.....	—	—	—

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
68	35	Barymin	52	–3	—	—	—
17	9	Burma Mines 17½p	12	.....	—	—	—
300	170	Cons. Murch. 10c.	170	.....	‡Q30c	2.6	‡
465	245	Northgate C$1	345	–15	—	—	—
263	164	R.T.Z.	229	–3	9.5	2.8	6.2
90	30	Sabina Inds. C$1	40	.....	—	—	—
£12	687	Tara Exptn. $1	700	–12	—	—	—
185	120	Yukon Cons. C$1	170	+5	Q7c	2.9	2.0

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

1978 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
$15¼	$10¼	Buffels R1	$11⅛	+⅛	Q170c	1.8	17.6
$11¾	830c	East Drie R1	920c	+25	†Q78c	1.7	9.8
585c	330c	East Rand Prp. R1	385c	+10	—	—	—
$28⅜	$16½	F.S. Geduld 50c	$18¾	+⅜	Q315c	♦	19.4
$15⅛	975c	Pres. Brand 50c	$11¼	+⅜	Q150c	♦	15.4
$13⅜	990c	St. Helena R1	$10¼	+⅜	Q190c	♦	21.4
465c	313c	Stilfontein 50c	445c	+20	†Q22c	2.3	5.7
$18	$16¼	Vaal Reefs 50c	$18	+¾	Q115c	3.3	7.4
$37	$25	West Drie R1	$30⅝	+⅜	Q385c	1.7	14.6
$31¼	$19	West Hldgs. 50c	$21¾	+¼	Q415c	♦	22.0
$12½	895c	Western Deep R2	$10¾	.....	Q82.5c	2.4	9.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ϕ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∇ Excluding a final dividend declaration.
- ☨ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 36

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

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3-month Call Rates

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A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Tuesday December 19 1978

Iran troops mutiny in demonstration

BY ANDREW WHITLEY

TEHRAN — A mutiny by some Iranian troops during a demonstration against the Shah has raised fears about the loyalty of the Iranian Army.

The latest incident happened in the north-western industrial city of Tabriz when 25 soldiers laid down their arms and allowed opposition demonstrators to take over their vehicles, armoured personnel carriers or trucks.

A colonel is reported to have joined them and last night the Government admitted that a unit *in Tabriz had been recalled to* barracks.

The demonstrators were observing a national day of mourning called by the religious leaders of Iran's Shia Moslem community in memory of those who died last week in a pro-Shah backlash to previous opposition demonstrations.

The Tabriz incident comes a week after a report that members of the Shah's bodyguard, the Imperial Guard, had mutinied in their barracks near his palace in northern Tehran, killing 15 officers and injuring many others.

Officials have since indicated that the men concerned were not soldiers but had put on army *uniforms to infiltrate the base.* That account is widely disbelieved.

An important factor in the most recent incident is believed to have been the call by the most senior religious leader in the country, Ayatullah Shariat Madhari, who called on soldiers from his centre in the holy city of Qum not to shoot Moslem demonstrators.

The Tabriz incident started soon after soldiers were said to have opened fire on several thousand opposition demonstrators.

It is bound to raise questions about the loyalty of the Army.

On the whole, the Army has been loyal to the Shah and the military government of General Azhari, the Prime Minister. Over the past 20 years the Shah has personally vetted the promotion of any officer above major and has encouraged the development of the Army as a military caste separate from the rest of Iranian society.

Until the Tabriz incident, that policy appeared to have succeeded.

A national strike called yesterday by Ayatullah Khomeini, the religious leader in exile in Paris, was evidently widely observed throughout Iran. Workers who did not strike are believed to have continued arriving at work but going slow.

Reports from oilfields and refineries show that production continues to increase from the low levels of last week when the figures dropped nearly as far as in a similar action in November.

Oil production was 2.6m barrels, compared with more than 5m normally. On Saturday the figure was 2.14m.

Our Foreign Staff adds: Strikes by the staffs of Iran-Japan and the Iran-Nippon Petrochemical companies in Bandar Shahpur, on the Gulf, have ended, the official news agency said.

However, many Customs officers in the Gulf ports and on the Turkish border are still *on strike. Goods and equip*ment are being dumped on the Turkish side and the ports are crowded with goods awaiting Customs clearance.

Maurice Samuelson writes: British Petroleum has reduced oil supplies to customers by about 25 per cent since November because of the troubles in Iran.

Most of the 13 other participants in the Western oil consortium exporting from Iran have also reduced deliveries. BP is the largest single operator in Iran.

Banking in Iran Page 4

Right tightens hold upon electrical union

BY CHRISTIAN TYLER, LABOUR EDITOR

RIGHT-WING CONTROL of the second largest craft union has been consolidated with the crushing defeat of two Left-wing members of the national executive of the Electrical and Plumbing Trades Union.

Ballot results announced yesterday mean that moderates will hold all the electricians' seats, leaving only two of the three plumbers' lay representatives constituting the political "opposition."

Including Mr. Frank Chapple, the general secretary, and Mr. Charles Lovell, the national secretary, who now have votes on the executive the balance is 12-2. One electrician's seat, that for the South Wales division, is vacant after the recent death of the moderate Mr. Bernard Clarke.

The defeated Left-wingers are Mr. Harold Best in Yorkshire and Humberside and Mr. Phil Ramshaw in North-East England.

Mr. Best, a non-aligned Marxist, stood against Mr. Chapple in the last elections for the general secretaryship. He was the subject of an internal union inquiry following what was described as outside interference in the form of an organised campaign by Communists on his behalf.

He was defeated by a moderate, Mr. Bill Hayes, an electrical engineer, who polled 4,147 votes to Mr. Best's 3,712. Mr. Ramshaw was eliminated under the single transferable vote system, and his seat won by Mr. Barry Davis, a Durham area official, who polled 2,722, with Mr. John Jordan second with 2,640 votes.

An announcement from union headquarters said that moderates had secured another success. The two defeated sitting members were "normally associated with opposition to the moderate majority."

Since the Communist ballot-rigging scandal and subsequent trial in the early Sixties, the EPTU leadership has been noted for its anti-Communist *fervour.*

The latest elections, conducted by the Electoral Reform Society, will have little influence on overall policy.

But the results reinforce the EPTU's political alignment with the Amalgamated Union of Engineering Workers, where the Right has made a clean sweep in recent years, and with whom the electricians are seeking a merger.

The electricians' Yorkshire and North-East areas were one large division, and held by a moderate until they were split five years ago.

THE LEX COLUMN

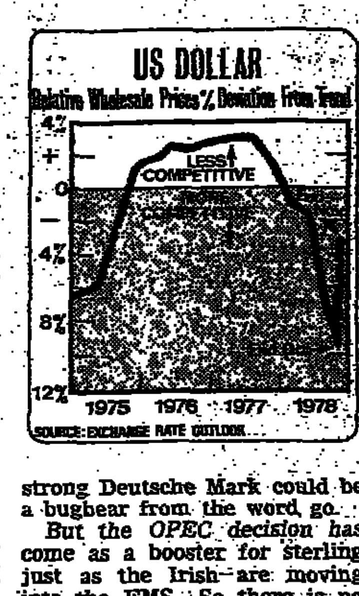
Dollar gets some crude treatment

At the end of one day after the OPEC announcement of an average year-on-year rise in the price of oil of 10 per cent, this rise had been trimmed back to 8.3 per cent for the major European countries. This was the measure of the dollar's reaction to the news. It was clear that the U.S. administration and much of the U.S. financial establishment had been lulled into a sense of false security by polite noises from the richer OPEC nations. The official picture was that these nations had approved the dollar defence package and would not jeopardise the value of their dollar holdings. The reality is that diversification away from the dollar were possible remains their most likely course. It is a dangerous development *for* a currency which has, since the November package, never really been able to stand on its own two feet. This is why Wall *Street took fright last night.*

One of the most telling signs of the uncertainty over the dollar was the swift reaction of the gold price which jumped *nearly* $6 to $212½ per ounce. This rise is all the more ominous in that it took place on the eve of the U.S. authorities' first "super gold auction" later today. On an annual basis monthly auctions on this scale are equivalent to 80 per cent of production by South Africa (far and away the world's largest gold producer) and should prove a real test of the gold market's appetite. The U.S. authorities have taken a calculated risk that by dumping this amount of gold on the market they will defuse the yellow metal's speculative appeal. Judging by yesterday's strength in the gold price they have so far failed to do this.

Once again it is the Deutsche Mark which will bear the brunt of any sustained assault on the dollar—its dollar value was up by 1.8 per cent yesterday. This might seem perverse in that Germany is singularly vulnerable to an oil price rise and is going through a historic strike in its steel industry, but it is the lack of a readily available alternative that sends the diversifiers into the Deutsche Mark. And already the virtuous circle of the declining Deutsche Mark impact of the oil price increase is beginning to operate. The result is that the OPEC decision constitutes a baptism of fire for the EMS: the rates for the new members—Italy, France, and Ireland—are to be set on the last Friday of the year and a

Index fell 7.0 to 474.0



strong Deutsche Mark could be a bugbear from the word go.

But the *OPEC decision has* come as a booster for sterling just as the Irish are moving into the EMS. So there is no immediate prospect of speculative movements of *currency* from the UK into Ireland in search of a quick profit. In these relaxed circumstances the UK authorities have decided not to bother *about* imposing exchange controls between the UK and Ireland, though they are no doubt ready to take measures overnight at the least *sign of trouble.*

The UK Government is therefore leaving the UK speculators in Irish securities to sweat it out. Yesterday's message was simply that they should not assume they will get a premium windfall, implying at least the chance of a cut-off date (the date of the Bremen meeting, July 6, is being talked about as one possibility). These are correct tactics for the UK authorities; but the investment currency dealers will hate them for it: yesterday the premium was moving inconclusively with dealers assessing the possibility of loopholes emerging, and meanwhile maintaining very *wide quotes.*

Bank supervision

The Department of Trade is at pains to emphasise that its actions against the "fringe" banking concerns, Kendal and Dent and Barnett Christie, are unconnected in any way. Yet it is clear that the DoT has been much more vigilant recently than it used to be. It seems likely in both of these cases that DoT investigators have been at work for some time—and in the case of Kendal and Dent probably for at least nine months. No doubt it is just coincidence, but the fact remains that the department's tough action comes at a politically opportune time. Not only is the Wilson committee studying the whole area of company supervision, but the Banking Bill promises new powers in the near future.

The authorities also seem to be tightening up on dishing out the coveted authorised banking status (the top rung on the banking ladder). In its latest list of authorised banks, the Bank of England has deleted the name of Banque pour le Commerce Continental. This bank was taken over earlier this year by part of Sir James Goldsmith's Generale Occidentale Group, and the authorised status has not been handed on even though the bank is still operating in London. The *message seems to be that it is far harder to win authorised* status these days.

Sotheby

Sotheby's profits for the year to August are up from £4.87m to just over £7m pre-tax, and there is more to come in 1978-79. The overseas contribution to the *latest figure* is up from 38 to 45 per cent, and some of the smaller branches have shown *spectacular* gains. Sales in Monaco, for instance, have more than doubled while Switzerland is up by a half to over £10m.

Auction sales during the first four months of the current season are up by nearly two fifths, and *profits growth should* be even *greater* since the average price per lot has risen very substantially. Apart from rising prices, Sotheby puts this down to *the fact* that *higher* qualiy property is being attracted to its auction rooms.

In addition, the current year will get part of the benefit of the imposition of the buyers' premium (from January) on U.S. sales. This could add about 3 per cent to revenues on a business which last year generated over a third of Sotheby's auction sales. At the same time, various new activities are coming through the development stage, such as real estate brokerage in the U.S. which notched up sales of $17m in the latest period.

So far, of course, there is nothing in sight to compare with the £18m von Hirsch sale, which made a measurable difference to profits in the latter patr of 1977/78. The shares yield 4 per cent at 338p, and the p/e is around 10.

Chrysler UK heads for heavy losses

BY ARTHUR SMITH

CHRYSLER UK seems set for heavy losses in the current year following its series of damaging industrial disputes.

The Government, under the terms of its rescue deal negotiated in 1975, is committed to meeting only half of any deficit this year up to a total of £15m.

But PSA Peugot-Citroen, the French motor group which is expected to sign an agreement on Thursday to buy Chrysler UK as part of its purchase of the Chrysler Corporation European operations, has already made clear that it will not be deterred by losses.

PSA has said that, however unsatisfactory the results from the three Chrysler Europe subsidiaries in France, the UK and Spain may be, its $430m deal would not be prejudiced.

PSA shareholders meet on Thursday to approve the issue of 1.8m shares to be taken up by Chrysler Corporation as part *of the takeover deal. The* British Government has already given broad approval to the transaction.

Though the scale of the losses suffered by Chrysler UK clearly will not be known until the end of the year, the company's performance has been very disappointing.

Under the planning agreement negotiated with the trade unions but which has still to be signed by the Government, Chrysler was forecasting a small profit.

In spite of production problems at Linwood, Scotland, the company confined losses in the first six months to only £837,000. A subsequent long stoppage by toolmakers disrupted output at the two Coventry plants during the summer.

The Ryton assembly plant, Coventry, which returned to work last week after an unofficial strike, is only the latest casualty of Chrysler's troubled industrial relations.

In spite of the problems, PSA is believed to have told the Government that it will go ahead with Chrysler plans to introduce a new car at Ryton next year.

The car, a derivative of the successful Alpine model, will be a four-door vehicle with a boot. Ryton will be the sole supplier of the car, which will be sold throughout Europe.

ICL order could fall foul of U.S. Act

By David Fishlock, Science Editor

A 13m UK Atomic Energy Authority order for computers, placed with International Computers, could *fall foul of the new U.S. Non-Prolimeration Act.*

Commercial executives with ICL and its U.S. micro-circuit supplier Intel have dis*covered simultaneously that* the British company could require a special export licence from the U.S. Department of Commerce.

A licence is needed for the export of any equipment for use with the "sensitive" nuclear technologies—those concerned with refining *fissile materials such* as plutonium and uranium-235—even when, as in this case, the importer is already recognised as a nuclear weapon state.

The Act, Public Law 95-242, approved by President Jimmy Carter last march, is a complex one. It represents a compromise between widely differing factions in the U.S. Administration and Congress on the question of tightening controls on U.S. exports of technology which might become associated with nuclear weapons.

ICL buys many of its more advanced micro-circuits from the U.S.

The UK contract which has raised the problem is for several 2900 systems, worth more than £13m., for the United Kingdom Atomic Energy Secretary. *earlier this* Winfrith establishments. It was announced in September and the first two machines are due to be delivered in 1979.

Both British Nuclear Fuels and the fast-breeder reactor establishment at Dounreay, are using the Risley complex.

Nuclear export security guide Page 6

Britain complains at Statfjord field costs

BY FAY GJESTER

OSLO — Britain has made an official complaint to Norway about the steep rise in development costs on the Anglo-Norwegian Statfjord oil field, which straddles the median line between the two countries in the North Sea. The complaint comes in a letter from Dr. Dickson Mabon, UK Minister of State for Energy, to Mr. Bjartmar Gjerde, the Norwegian Oil Minister.

It follows a long and simmering argument between the two countries over the field, which is being developed at a cost of more than £3bn and is the largest in the North Sea. The entire field is being managed by the Norwegian subsidiary of the U.S. company, Mobil.

Dr. Mabon claims that Britain could have developed its part *of Statfjord more* cheaply on its own than in partnership with Norway. He urges Mr. Gjerde to bring costs under control as quickly as possible, and hints *that Britain will have to con*sider some kind of action if no "acceptable reply" is forthcoming.

His letter repeats earlier *British claims to a larger share* of Statfjord—the Norwegian Government owns more than 85 per cent of the field—and indicates that Britain is becom*ing increasingly sceptical about* co-operating with Norway in the development of fields which straddle the sector boundary. It also criticises Norway's tendency to favour Norwegian industry where North Sea contracts are allocated.

The immediate cause of Dr. Mabon's letter is thought here *to have been the recent award* of yet another large Statfjord *contract* to a Norwegian company. The contract, worth between £8m and £10m, is for the accommodation section of the field's second platform, Statfjord B.

Redpath Dorman Long, the British Steel Corporation subsidiary, was one of the eight companies or groups invited to tender, but the order went to a firm in a west Norwegian town, where unemployment among shipyard workers is already a problem. Some reports say the Norwegian company was allowed to lower its original bid in order to secure the contract. Initially, one of the lowest bids was presented by Blohm & Voss of Germany.

Mr. Gjerde has rejected the the charges of protectionism and the criticism of cost management on Statfjord. In a radio interview, he said that Norwegian-British relations had not suddenly worsened and there was no danger that Britain would withdraw from joint projects in the North Sea. Britain had, all along, been dissatisfied with its share of the Statfjord field, and with *the share* of Norwegian - sector offshore orders going to UK industry.

Norway was dissatisfied with the amount of work which Norwegian *firms got from the* British sector. The British had "a rather extensive organisation" looking after their industries' interests in the North Sea. "*On our side we have only two* or three men," he pointed out.

The Norwegian Oil Ministry said that a reply to Dr. Mabon's letter would be despatched *early this week.*

● In London, it was unclear last night what, if any, action Britain might take if the reply from the Norwegian Oil Ministry is not regarded as "acceptable." The Department of Energy said the argument over Statfjord was still at the discussion stage and no specific action was yet being considered.

Continued from Page 1

Exchange controls

exchaneg controls on both inflows and outflows, which it is believed will create no barriers to normal trade.

The chances of Britain's *being able to maintain this* exchange-control policy will depend on whether the Government succeeds in its aim of maintaining the stability of sterling, and on whether there are speculative outflows to Ireland.

The *British decision* is undoubtedly the simplest solution, in view of the close links between the two economies and the practical difficulties which would have arisen if controls had been imposed.

Stewart Dalby writes from Dublin: Representatives of asso*ciated and non-associated* Irish banks met officials of the Irish Central Bank yesterday and were told that as far as normal business was concerned they should carry on as normal while the one-for-one parity link with sterling continued.

A major problem overhanging the money markets when they open today is that the Irish Government has decided to go into the EMS on January 1 under a 2¼ per cent bond rather than one of 6 per cent. The decision is said by Government officials to have been taken to avoid speculation against the Irish pound and has not been forced on the Government by EEC members in exchange for the better grants

Weather

UK TODAY

FOG in parts, some rain later.

London, S.E., E. Anglia, E., and Cent. S. England, Midlands

Fog at first, dry sunny intervals later. Max 5C (41F).

N.E., N.W. and S.W. England, Wales, Lakes

Fog patches, becoming cloudy. Max. 7C (45F).

E. and Cent. Scotland, Argyll, Highlands, Scottish Islands, Isle *of Man, N. Ireland*

Cloudy, some rain. Max. 7C (45F).

S. and E. Scotland

Mostly cloudy, some rain. Max. 6C (43F).

Outlook: Bright intervals, showers.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstm.	C	4	39	Madrid	F	7	45
Athens	S	19	66	Mnchstr.	F	3	37
Bahrain	S	19	66	Melbne.	C	15	59
Baclona.	C	11	52	Mexico	S	20	68
Beirut	S	19	66	Milan	Fg	5	41
Belfast	S	3	37	Montreal	S	−11	12
Belgrade	R	2	36	Moscow	C	−6	21
Berlin	S	−1	30	Munich	C	−4	25
B'ham	F	1	34	Nwcstl.	C	2	36
Bristol	Fg	0	32	N. York	S	4	38
Brussels	S	−2	28	Oslo	C	−6	21
Budpst.	C	−3	27	Paris	S	0	32
B. Aires	S	28	82	Perth	R	15	59
Cairo	S	21	70	Prague	S	−4	25
Cardiff	C	1	34	Reykivk.	R	2	36
Chicago	C	5	40	Rio J'o	S	27	80
Cologne	S	−2	28	Rome	C	15	59
Cpnhgn.	C	−1	30	Singpre.	S	30	86
Dublin	S	6	43	Stkhlm.	C	−2	28
Ednbgh.	S	4	39	Strsbrg.	S	−1	30
Frankft.	S	−1	30	Sydney	C	20	68
Geneva	C	1	34	Tehran	S	8	46
Glasgow	C	4	39	Tel Aviv	S	19	66
Helsinki	C	−3	27	Tokyo	C	10	50
H. Kong	C	21	69	Toronto	C	−3	26
Jo'burg	C	21	70	Vienna	S	−2	28
Lisbon	S	11	52	Warsaw	C	−4	25
London	S	5	41	Zurich	C	−2	28
Luxmbg.	S	−3	27				

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	10	50	Jersey	S	7	45
Algiers	C	17	63	L. Plms.	F	20	68
Blkpl.	Fg	−1	30	Locarno	F	3	37
Bordx.	S	3	37	Majorca	C	12	54
Boulgn.	S	1	34	Malaga	C	12	54
Csblnca.	T	13	55	Malta	C	21	70
Cape T.	S	25	77	Nairobi	R	24	74
Corfu	C	18	64	Naples	C	17	63
Dubrvk.	C	15	59	Nice	C	11	52
Faro	S	14	57	Nicosia	S	19	66
Flornce.	C	10	50	Oporto	S	9	48
Funchal	S	17	63	Rhodes	F	19	66
Gibraltr.	F	13	55	Salzb'g	Sn	−3	27
Gurnsy.	C	6	43	Tangier	C	12	54
Innsbrk.	C	−1	30	Tenerife	F	14	57
Invrnss.	F	5	41	Tunis	C	18	64
I. of M.	F	7	45	Valencia	C	10	50
Istanbul	R	14	57	Venice	C	7	45

S—Sunny, F—Fair, C—Cloudy, R—Rain, Fg—Fog, Sn—Snow, T—Thunderstorm.

Bank guarantees urged for loans to small companies

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT has asked the Bank of England to persuade the main clearing banks that they should set up a special guarantee scheme for under*writing the loans they make to* small companies.

This is the latest in the series of initiatives launched by the Government during the past year to help small companies. But it has not so far gained much support from the clearing banks, several of which consider that they have sufficient special arrangements already.

Following a meeting last week, however, between the Bank of England and the clear*ing bankers, the outlines of a* possible scheme are being explored at the request of Mr. Harold Lever, Chancellor of the Duchy of Lancaster, who *is responsible for the Govern*ment's small-company policies.

The idea is that there should be a pilot insurance scheme which would be financed and organised by the banks themselves, either collectively or jointly. The extent of the pilot scheme might be limited by the amount of money it is given to spend or it might be launched in a specific area of the country.

There would be little financial or other involvement by the Government although there have been some suggestions that it might be prepared to fund up to 10 per cent of the cost of meeting the guarantees.

The Treasury and the Depart*ment of Industry have opposed* any major Government involvement since the idea was first mooted earlier this year. A report from the National *Economic Development* Council's Roll Committee on finance for industry reflected this view in August, and added that it could not identify any *real need for a loan guarantee* scheme.

Since then small company pressure groups have continued to urge that a scheme should be tried on an experimental basis and this has now been taken up by the Government which is looking for a new measure to announce for small companies early next year.

The Wilson Committee on Financial Institutions is also expected to back the idea in its report on the financing of small companies which is due to be *published soon.*

Mr. Lever has made it clear in a letter to clearing bank chairmen that he considers a scheme could be useful if it stops owners of small companies being discouraged from enlarging their businesses by the extent of personal guarantees demanded by the banks.

He has also told bankers that they should be prepared "cautiously to push forward the frontiers of risk taking" associated with their lending. *They should be prepared to* back a scheme that links such an approach with easing the personal problems of small businessmen.

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